

April 20 1991

Weekend FT

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Love in a time of terror

Peter Ellingsen won the heart and hand of a student in Beijing, but nearly lost her to the thugs of the security service. page 1



Life without God

Richard Dawkins explains the conflict between Darwinism and the deity. page XXII



A taste of mystery

Patricia Morison on the James Scott collection. page XX

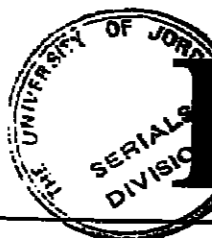
Lost in France

Nicholas Woodsworth on the mysteries of his French wife and the Gallic character. page VIII

Computer cowboys

Barbara Conway ordered a gadget that did not work. Neither did the customer service department. page XV

EUROPE'S BUSINESS NEWSPAPER



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Weekend April 27/April 28 1991

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WORLD NEWS

Rail strike threat grows with ballot

The threat of national rail strikes came closer yesterday with a decision to ballot 60,000 union members on industrial action over British Rail's 7 per cent pay offer.

RMT transport union leaders are likely to consider 24-hour strikes when they meet to discuss tactics next week.

The dispute coincides with a vote at London Underground, and the union is expected to announce on Monday that its 12,000 Underground members have voted for 24-hour strikes over job cut plans. Page 22

Higher tax plan studied

The government is considering changing its council tax proposals so that the wealthiest households would face higher bills. Page 22

Baker breaks mission

US secretary of state James Baker cut short his Middle East peace mission and flew home from Israel on learning that his mother had died. Bush optimism. Page 2

US weapons pledge

President George Bush is to commit the US to the unilateral destruction of all its chemical weapons by the year 2002, officials said. Start negotiations. Page 2

Envoys leave Ethiopia

The US cut its diplomatic staff in Ethiopia and advised Americans to leave after rebels tightened their grip on Addis Ababa. Insurgents now threaten Addis Ababa from three sides. Mengistu's desperate bid. Page 8

27m face famine

Twenty-seven million people - half of them children - face starvation in Africa, the charity Save the Children warned.

Murder plotters jailed

Lovers Susan Whybrow and Dennis Saunders were jailed for plotting to murder Mrs Whybrow's barrister husband by faking a lawless accident. Susan Whybrow was sentenced to eight years and Mr Saunders to 10.

Support for Kohl slides

German chancellor Helmut Kohl, dented by the recent loss of an election in his home state, continues to lose popularity among voters. His rating in a nationwide opinion poll fell from 0.5 last month to 0.3 on a +5 to -5 scale.

Belfast shooting

Northern Ireland's outlawed Ulster Freedom Fighters shot and seriously injured a Roman Catholic builder as he worked on a house in Belfast. Talks will 'see off terrorists'. Page 4

Reading tests criticised

National tests to assess seven-year-olds' reading standards are too imprecise to be meaningful, the British Psychological Society said. Teachers were being asked to measure standards with "an elastic ruler", the society told a Commons committee.

Indian bomb kills 3

At least three people died when a bomb exploded in a New Delhi shopping area. Earlier the Indian government announced that 1.5m paramilitaries and police would be used to prevent violence during general elections in May and June.

Peruvian banks hit

Left-wing guerrillas bombed about 20 banks in the Peruvian capital, Lima, on the day a new law modernising the country's banking system took effect.

BUSINESS SUMMARY

US to limit construction by Japanese

The US yesterday announced trade sanctions against Japan for failing to open its domestic construction market to foreign contractors, architects and engineers.

The administration is to limit Japanese involvement in all areas of US government-funded building projects.

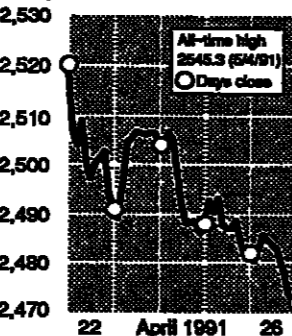
However, the sanctions will not go into effect for 90 days, giving the Japanese time to present an acceptable counter-proposal. Page 22

UK EQUITIES: Shares in London ended generally lower

after another official warning against optimism over a lower.

FT-SE 100 Index

Hourly movements



ing of domestic interest rates. The FT-SE 100 Index closed 10.8 down at 2,471.3. The stock market fell by just over 54 points, or about 2 per cent, over the two-week equity account, which closed last night. Page 18; Lex, Page 22

US OUTPUT fell at an annual rate of 2.5 per cent in the first quarter of 1991. The figure confirms a worsening of the recession and adds pressure on the Federal Reserve to cut rates. Page 2

BMW Rolls-Royce is to spend DM1bn (\$385m) by 1995 developing aircraft engines aimed at the regional airliner market. The recently-founded joint venture may also build a new factory in east Germany. Page 22

NEWS Corporation is nearing agreement on the sale of its main group of US magazines to K-111, the publishing company controlled by Kohlberg Kravis Roberts, in a deal believed to be worth around \$650m (\$385.2m). Page 10

FORD Motor is to shed 900 jobs at its Halewood plant in Merseyside this year. It said it was accelerating its five-year job reduction programme because of declining car sales. Page 3

EDINGTON, merchant banking arm of Henry Cooke, the Manchester-based financial services group, went into administration to safeguard £20m of depositors' funds after a run of withdrawals. Page 4

MONDADORI: The long-running battle over Italy's leading media group appeared to be almost over as Carlo De Benedetti and Silvio Berlusconi neared an agreement over dividing the company, which has an annual turnover of £1.1bn. Page 10

GUINNESS MAHON Holdings, UK merchant banking group, confirmed plans for a £48.8m rights issue on the basis of seven-for-four at a price of 44p. Page 22

ALFRED McAlpine, UK construction group, announced a one-for-two rights issue to raise £38.8m. Lyonaise des Baux-Dumez, French building group, will double its stake in the company to 12 per cent as a result. Page 8; Lex, Page 22

WATSON & Philip is to acquire Amalgamated Foods for £25.5m in shares. Page 8

Bush to meet G7 ministers as rift over monetary policy widens

US presses Bonn to cut rates

By Peter Norman in Washington

THE US is increasing pressure on Germany to lower its interest rates, ahead of what is certain to be a difficult meeting of Group of Seven finance ministers and central bank governors tomorrow.

Mr George Bush intends to call the participants in the G7 meeting to the White House over the weekend. He is expected to urge lower rates on Germany and more action from the US's trading partners to boost the world economy.

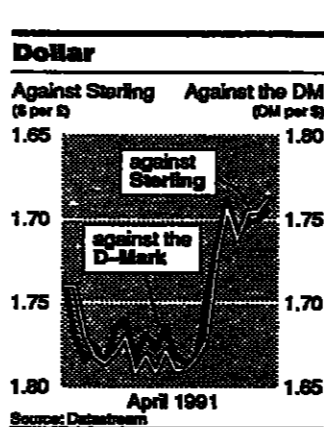
In spite of repeated US demands for an easing of German policy in recent weeks, there are no signs that the finance ministry in Bonn or the Bundesbank in Frankfurt are prepared to alter their stance. If anything, the difference on monetary policy and growth between the US and Germany have widened.

Speaking in Bonn late on Thursday, Mr Theo Waigel, the German finance minister, said Germany was not prepared to lower rates.

He added that the US should not seek to end its recession through inflation.

At the same time, a US Treasury official in Washington said European preoccupations with combating inflation appeared "poor" in view of the problems facing the world economy since the political liberalisation of eastern Europe and the Gulf war.

The US believes that Europe has failed to understand the implications for policy of a huge demand for finance from the Soviet Union, eastern Europe and the Middle East. In these circumstances, high real interest rates pose a serious threat to the world economy



There is no clear evidence of recovery from recession in the US, Britain and Canada.

The US Treasury official suggested that the time may have come for the G7 countries - the US, Japan, Germany, France, Britain, Italy and Canada - to shift their aims from achieving non-inflationary growth to achieving growth with low inflation.

For its part, Germany will underline that it is performing an important service for the world economy through its financial support for the Soviet Union and eastern Europe. Mr Waigel said in Bonn that Germany had earmarked DM25bn (\$8.3bn) for this purpose.

In a speech in Washington yesterday, Mr Karl Otto Foßl, the Bundesbank president, also claimed that Germany's trading partners would benefit substantially from the country's

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PM faces growing pressure over NHS funding

By Alan Pike, Social Affairs Correspondent

MR JOHN MAJOR, the prime minister, will meet leaders of the medical profession at Chequers today amid a new and mounting storm about the adequacy of National Health Service funding.

The prime minister came under pressure from the British Medical Association yesterday to change the agenda of the meeting - called to examine means of improving health standards - and concentrate instead on ways of increasing NHS finance. This followed an announcement on Thursday that Guy's hospital in London, one of the first to become a self-governing trust under this month's health reforms, is preparing to shed hundreds of jobs.

"The severe cuts at Guy's hospital expose alarmingly the worsening financial state of the NHS," said Dr Jeremy Lee-Potter, chairman of the BMA council.

He said it had taken only 26 days for the NHS reforms, launched on April 1 with what the government described as a smooth take-off, to hit turbulence.

Earlier this week Mr Major rejected a request from the BMA for a meeting to discuss finance, saying the difficulty of the NHS was not one of insufficient resources. The BMA council will consider its response to the refusal on Wednesday.

Managers at Guy's want to shed at least 600 jobs to clear a £6.8m deficit and release a further £2m for service developments.

As opposition MPs and union leaders reacted angrily to the news yesterday, Dr Mark Baker, chief executive of another self-governing trust at Bradford, said that 300 jobs there could be lost over the next three years in a programme of restructuring.

Continued on Page 22



Ian Irvine who resigned yesterday as chairman and a director of BSkyB

Reed investment in BSkyB ended

By Raymond Snoddy

REED INTERNATIONAL, one of the big five backers of British Sky Broadcasting, said yesterday that it will not invest any more money in the satellite television venture.

As a result Mr Ian Irvine, Reed deputy chief executive, resigned yesterday as both chairman and a director of BSkyB.

The decision by Reed, which has committed more than £180m in equity, loans and guarantees to BSkyB, was revealed to a BSkyB board meeting.

Reed's 10 per cent stake in BSkyB will now be diluted and the company said last night it will write down at least its equity stake in the venture - \$24m net of tax.

Mr Peter Davis, Reed's chairman and chief executive, said last night he was confident about the long-term potential for satellite television in the UK and the viability of BSkyB.

"However, the board does not

wish to increase its investment further in BSkyB as we prefer to invest in our core publishing and information businesses where we have more direct management control."

The issue came to a head over plans to raise a further \$500m for the venture following last November's merger of British Satellite Broadcasting and Mr Rupert Murdoch's Sky Television.

The four main BSB shareholders - Granada, Pearson, publishers of the Financial Times, Chargeurs and Reed - were expected to put up about \$100m with Mr Murdoch being responsible for the other half.

Granada, Pearson and Chargeurs are now expected to meet the \$100m commitment.

Mr Frank Barlow, chief operating officer of Pearson, is expected to become the new chairman of BSkyB.

Satellite rental, Page 6
Murdoch in talks, Page 10

UN hopes to begin running Kurdish camps within days

By Nancy Dunne in Washington and Victor Mallet in London

THE United Nations may start taking over Kurdish refugee camps in northern Iraq from allied troops within days, Mr Javier Pérez de Cuellar, the UN secretary general, said yesterday.

But President George Bush said US troops would stay in northern Iraq as long as they were needed to guard Kurdish refugee camps. Western diplomats say it could take weeks to complete a UN takeover.

"We intend to take over as soon as possible," Mr Pérez de Cuellar told reporters. "We are working on it. It is a question of days."

Mr Bush, speaking separately at a brief news conference, agreed that the UN had a key role to play and said he did not want US troops "hauled into some conflict that's been going on for years."

But US soldiers would "stay there as long as it takes to make sure these refugees are getting taken care of, and not a minute longer."

He said he hoped President

Saddam Hussein had learned a lesson about the consequences of aggression, but he still wanted "somebody with a little more compassion as president of Iraq". Until then, there would be no normalisation of US-Iraq relations.

"His people don't like him, and it's only terror that's keeping him in power," Mr Bush said. "But history has a way of taking care of tyrants."

UN officials said yesterday that the death rate among Kurdish refugees pouring into Iran had risen to nearly 2,000 a day, but many Kurds are still fearful of returning home to Iraq following last month's failed uprising against Mr Saddam.

Saudi Arabia, meanwhile, has offered sanctuary to Iraqis on the Iraq-Kuwait border who fear the loss of US protection as American troops withdraw.

US military aircraft will fly about 500 refugees a day from the southern Iraqi town of Safwan to a camp at the Saudi town of Rafha. It could hold as

many as 20,000 refugees as well as thousands of Iraqi prisoners of war reluctant to go home.

Mr Saddam and his ministers have opened negotiations with Kurdish guerrillas for nationwide plans for national-wide political reforms since the allied victory over Iraq in Kuwait.

Yesterday Mr Saddam lifted a ban on foreign travel, and his ruling Revolutionary Command Council announced the disbanding of the in-strong "popular army", a militia of teenagers and elderly men. He also appointed Gen Hussein Kamel, the defence minister who is his son-in-law, to repair Iraq's telephone network.

Mr Jalal Talabani, the Kurdish guerrilla leader who announced an agreement in principle on Kurdish autonomy after a meeting with Mr Saddam this week, was quoted as saying yesterday that negotiations had only just begun.

Bush optimistic, Page 2
Man in News, Page 6

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INTERNATIONAL NEWS

Stringent work decree rounds off week of political success for Soviet leader

Gorbachev to order crackdown on labour force

By John Lloyd in Moscow

PRESIDENT Gorbachev ended a week of considerable political success with a promise to the Supreme Soviet that he would soon sign a decree for a "special, stringent regime of work and control" in the basic industries.

Appearing more relaxed and humorous than he has for months, the Soviet president praised the patriotism of Mr Boris Yeltsin, the Russian president, and the eight other republican leaders who signed a statement this week expressing support for the anti-crisis plan, for a return of order and for the conclusion of a union agreement.

Mr Yeltsin said he would today

unveil a proposal which would allow the thousands of strikers around the country to return to work "in an elegant manner". Mr Yevgeny Arapov, deputy chairman of the Federation of Independent Trade Unions, said Mr Yeltsin had discussed the joint statement with the federation's leaders.

A one-hour strike called by the Federation and by the Democratic Russia movement took place in parts of Russia - though not Moscow - yesterday. However, the strike committee in Minsk, the Belorussian capital, suspended action until May 21, when the republic's supreme Soviet reconvenes; and the miners in Vorkuta

called off the strikes in their area.

It now appears that Mr Gorbachev, and his prime minister, Mr Valentin Pavlov, have managed to shore up the anti-crisis plan with a sufficiently strong political base for an attempt to be made to implement it - though the effect of a tough, sacrificial strategy on a people already enduring steep price rises is incalculable.

In his speech to the Central Committee Plenum Mr Pavlov said the 10 per cent drop in production and the \$540m budget shortfall in the first quarter of the year had to be stemmed by immediate, harsh measures. Republics would be ordered to

pay their budget contributions, special (undefined) regimes would be instituted in basic industries, transport and banks, and strikes would be banned.

At the same time, Mr Pavlov held out the prospect of a coalition government (again undefined), and promised instant privatisation of small businesses and "destatisation" of medium and large enterprises by transforming them into joint stock companies.

He appears to be winning grudging support from opponents and from western observers. Mr Nikolai Petrakov, the former economic adviser to the president who resigned when Mr

Gorbachev refused to back a radical pro-market strategy, wrote yesterday in *Komsomolskaya Pravda* that while the plan was vague and probably inflationary, the agreement between the republican presidents showed a possible consensus that "the realistic way is to form a new union from the republics that favour it and want to join it."

A western diplomat said yesterday that the agreement showed that Mr Gorbachev and Mr Yeltsin were responding to a public mood which called for practical results. He said he was "not sanguine" that the anti-crisis plan would work.

Fall in US output indicates recession is growing worse

By Michael Prowse in Washington

TOTAL US output fell at an annual rate of 2.8 per cent in the first quarter of this year, confirming a worsening of the recession since Christmas, the Commerce Department reported yesterday.

The fall in inflation-adjusted gross national product was larger than many economists expected and will provide further ammunition for the White House, which is pressing the Federal Reserve to cut interest rates.

Earlier this week, news of a 6 per cent decline in durable goods orders last month dampened hopes of an early recovery from recession. Most forecasters, however, still expect the recession to bottom out sometime during the summer.

The 2.8 per cent annual rate of decline in real GNP in the first quarter follows an annual rate of decline of 1.8 per cent in the fourth quarter of last year. Two successive quarterly declines in GNP - the conventional yardstick of a recession - were last registered during the 1981-82 downturn.

This week, the National Bureau of Economic Research, a group of prominent American economists, formally dated the onset of recession to last July. It said the business cycle peak of that month ended an expansion lasting 82 months,

the longest since the 1960s and the second longest since 1894.

The bureau's pronouncements carry considerable weight. However, its timing of the onset of recession clashes with that of the White House and Federal Reserve. Both have argued that Iraq's invasion of Kuwait in August - and the subsequent rise in oil prices and collapse of consumer confidence - triggered the recession.

The first-quarter figures indicate that the profile of the recession is changing. Personal consumption spending, which accounts for about two thirds of economic activity, declined at an annual rate of only 1.4 per cent, compared with 3.4 per cent in the final quarter of last year.

But the positive impact of this slowing in the decline of consumption was offset by a sharp downturn in capital spending and a stalling of export growth.

Non-residential fixed investment declined at an annual rate of 14 per cent in the first quarter compared with growth of 0.1 per cent in the fourth quarter of last year. Real exports contracted at an annual rate of 0.4 per cent, having grown at an annual rate of 11 per cent at the end of last year.

World Bank chief rejects US criticism

By Stephen Fidler, Euromarkets Correspondent, in Washington

THE HEAD of the World Bank yesterday outlined measures to counter US criticism that the bank was not doing enough to help the private sector in developing countries.

However, Mr Barber Conable, president of the bank, rejected the notion that it should have a specific target for private sector lending, as suggested by the US.

He also said that support for direct lending to the private sector by the bank, a controversial proposal also envisaged by the US, did not have strong support from shareholders.

The US has suggested that the bank group direct 50 per cent of its lending to the private sector by 1995 in negotiations over a capital increase for the bank's private sector affiliate, the International Finance Corporation.

The IFC, which makes equity and debt investment direct to the private sector, is seeking a \$1.5bn (£750m) capital increase. Mr Conable thought that at meetings over the next few days of finance ministers in Washington, agreement could be achieved that an increase was needed.

The measures to increase the bank's role in the private sector include strengthening a private sector policy guidance committee, changing staff guidelines to improve co-ordination between the bank and IFC, and incorporating the IFC into the development of private sector strategies for borrowing countries.

Developing countries will face a shortage of official development finance over the next decade, according to the World Bank's new chief economist.

Mr Lawrence Summers said a restoration of large transfers of development money to third world countries was not in sight.

The World Bank group itself had transferred \$9 per head of the population (in 1991 dollars) to the developing world between 1976 and 1980. Over the next five years, this figure would be \$2. Those countries not eligible to borrow from the Bank's soft loan affiliate would actually be transferring money to the bank.

"Since there will not be much development money over the next decade, there had better be a lot of good ideas," he told a conference.

He said that improving the efficiency with which capital is used was more important than the amount of transfers.

Increasing productivity in developing countries by a mere 0.2 per cent "would do more for living standards than an additional \$100bn of capital."

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Joint ventures gleam amid economic gloom

By John Lloyd in Moscow

FOREIGN joint ventures, a tiny and embattled part of the Soviet economy, are growing strongly in spite of the surrounding collapse of the state sector.

Figures published by the State Statistics Committee show that the production of all joint ventures increased nearly fivefold from 1989 to 1990, to reach a value of \$4.3bn (£1.37bn at the commercial exchange rate).

Industrial production by joint ventures quadrupled, to reach \$2.3bn.

This is a tiny niche in an economy whose gross output (net material product) was estimated last year at over \$1,600bn.

Nevertheless, the rate of growth and the areas occupied by the joint ventures - usually services and high technology - are pushing the sector from negligible

proportions into the category of small-but-important.

The total capitalisation of joint ventures last year was estimated at \$75bn, with the foreign partners owning 33 per cent of the total.

The committee's figures show the modest size of most of these enterprises - 64 per cent are capitalised at below \$1m, with 90 per cent below \$5m.

Some 2,905 joint ventures are now registered, of which only around one third, 1,037, are operating. They employ 103,700 workers.

Almost half of the value of output, \$428m, is in industrial production, of which \$199m was accounted for by information technology and spare parts.

Trade and catering accounted for \$103m, and research and development \$79m.



SHUT-DOWN STRIKE: Protesting miners outside Bolevsk pit in the Urals yesterday. They called for President Gorbachev to resign

Poland urged to increase import tariffs

By Christopher Bobinski in Warsaw

POLAND must raise import tariffs to protect domestic industry, Mr Andrzej Zawislak, industry minister, told a Warsaw conference yesterday.

The statement marks the emergence of significant policy differences within the government.

"No country has ever had as liberal an import policy as we have at the moment and something has to be done," Mr Zawislak told a conference organised by the Finance Institute, an academic body affiliated to the Finance Ministry.

He also asked if the austere monetary policies agreed with

the International Monetary Fund by Mr Leszek Balcerek, finance minister, should be modified. "Has this policy not passed the point when it is still useful?" he asked. "I don't have an answer to that yet."

The minister's remarks run counter to Mr Balcerek's economic policies, which aim to force state-sector companies to become efficient through external competition and tight controls on credit.

Industrial sales in the first quarter were 3.5 per cent lower than at the same time in 1990. Mr Zawislak was speaking a few days after the government

howed to pressure from farmers, angry about imports of food subsidised by the EC, and increased food tariffs by an average of 10 per cent.

Mr Zawislak told the conference: "The invisible hand is taking out the wrong firms; the best companies, not the worst, ones are being ruined."

He said high interest rates had cut access to credit for modernisation, while companies which had invested recently in new plant were having to pay a tax on assets to the budget.

The stable exchange rate was also hurting export earnings as domestic costs rose.

The Swiss Bank Corporation is planning to launch a fund next month worth around \$100m (£59m) designed to invest in Poland's privatisation programme.

The Poland Fund is to be managed by Polish Investment Partners, a subsidiary of the Polish Investment Company, in which the SBC holds a 23 per cent share. The fund, which will be the first to concentrate on Poland, is to be based in Jersey. The investment company will apply for a share quotation in the London Stock Exchange at the time of issue.

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NEWS IN BRIEF

US hopes for Start negotiations

THE Soviet Union has shown new seriousness of purpose in the Strategic Arms Reduction Talks (Start) in Geneva, the chief US negotiator said yesterday. "Everything in the past week convinces me that the Soviets are serious," said Mr Linton Brooks.

Since the current talks began on April 18, Moscow had sent deputy foreign minister Alexei Obukhov to Geneva to speed things along and had come up with interesting new proposals, he said.

Nigerians warned

Nigerian President Ibrahim Babangida said his military government would deal harshly with those responsible for religious clashes in northern Nigeria this week, Reuters reports from Lagos.

'27m may starve'

Twenty-seven million people in Africa - half of them children - face starvation, the British-based charity Save the Children said yesterday. Reuters reports from London.

Oil hits Riviera

Oil spills from a tanker which sank off Italy have soiled some of the French Riviera's best-known beaches and are drifting along the coast, officials said, Reuters reports from Nice.

HK inflation up

Hong Kong's annual rate of inflation was pushed up to 12.9 per cent last month by a 20 per cent increase in duty on cigarettes in the colony's annual budget, it was announced last night. John Elliott writes.

Dock compromise

Australia's trade unions yesterday backed away from a threat to halt reform of the docks industry after accepting a compromise wages deal put forward by Mr Bob Hawke, prime minister. Kevin Brown writes from Sydney.

Bush optimistic about peace prospects for Middle East

By Nancy Dunne in Washington and Judy Maltz in Jerusalem

PRESIDENT George Bush yesterday expressed optimism about peace prospects in the Middle East although "some sticky problems remain."

The president said he had spoken by telephone with Mr James Baker, the US secretary of state, who yesterday cut short his negotiations in Israel after hearing of the death of his mother.

"We're going to continue to try to bring peace to that troubled corner of the world," the president said.

Mr Bush refused to elaborate on the cause for his optimism. Mr Baker's trip was interrupted at a key moment in his latest peace mission as he sought to nudge Israel into regional peace talks.

However, his two weeks of roving diplomacy have produced two accomplishments: Egypt's agreement to participate in a peace conference and a Soviet pledge to play co-host.

News of his mother's death reached Mr Baker while he was meeting Israel's Prime Minister Yitzhak Shamir, on his second trip to Israel in a week. He had arrived in Israel on Thursday night from the Soviet Union.

He also met leaders in Syria, Jordan, Egypt, Saudi Arabia and Kuwait during the week.

The French government is to ask the European Community partners to co-ordinate humanitarian aid in future refugee crises in an attempt to speed up and improve the process, writes William Dawkins in Paris.

United Nations agencies had moved "regrettably" slowly to help Kurds fleeing from Iraqi repression, said Mr Bernard Kouchner, French minister for humanitarian affairs and a founder of the charity Médecins sans Frontières.

Mr Kouchner is preparing proposals for EC member states to work together on future emergencies, for debate at the first available meeting of Community foreign ministers.

Both Israel and the US are anxious to give the impression that the peace process is still alive, despite disagreements between them. Israeli Foreign Ministry officials said the two countries reached agreement on five issues, including the co-sponsorship of the conference by the Soviet Union.

But two key issues that have yet to be resolved are Palestinian representation at the conference and a possible role for the United Nations. Israel rejects the participation of Palestinian residents of Israeli-annexed East Jerusalem and opposes a role for the UN in the conference, as demanded by Arab states such as Syria.

Both Israel and the US see the regional peace conference as a means of laying the groundwork for direct bilateral talks between Israel and individual Arab states and between Israel and the Palestinians.

Israeli officials said Moscow's co-sponsorship of the peace conference was dependent on the restoration of full diplomatic ties with Israel.

The other points agreed on, according to Israeli officials, were that Europe would play a yet to be defined role in the peace conference; the conference would not have the authority to reach or impose decisions; and the UN would have veto power over the conference reconvening to hear progress reports; and the conference could be used to discuss other regional issues such as water, development and arms cuts.

Because of his departure, Mr Baker was unable to meet defence minister Moshe Arens and prominent Palestinians.

Europe's chip makers discuss research link

By Michael Skapinker in London, David Buchan in Brussels and William Dawkins in Paris

EUROPE'S three largest semiconductor makers - Siemens of Germany, Philips of the Netherlands and SGS-Thomson, the Italian/French group - are talking about closer collaboration, including the possible joint financing of a research centre in Grenoble.

The talks follow a call earlier in the week by Mr Pasquale Pistorio, president of SGS-Thomson, for the creation of at least one world-scale producer out of the three major semiconductor makers, all of which

ties but the German company rejected the idea.

The three companies are talking, however, about collaborative research which would go beyond the work being done by the Joint European Submicron Silicon (JESS) initiative.

JESS, Europe's largest semiconductor programme, attempts to strengthen European chip-making skills rather than producing products.

The three companies are discussing joint research which would result in new semiconductor products, either through a widening of JESS's brief or by setting up a new programme.

Among the ideas being looked at is the joint financing

by the three of a common research centre in Grenoble.

SGS-Thomson makes chips in Grenoble as well as developing computer-aided design tools and techniques.

Mr Pistorio said at a conference in Brussels last Tuesday that the Ecu3.8bn (£2.62bn) that JESS planned to spend on semiconductor research in the 1990s was "inadequate in size and spread over too many players". Mr Pistorio said it would cost double this "to build a viable European world challenger" by the end of the decade.

Mr Filippo Maria Pandolfi, the EC research commissioner, agreed with Mr Pistorio that "the time has come to reach a critical mass" in European

semiconductor production.

Their comments follow a meeting last weekend in France between EC officials, including Mr Jacques Delors, the Commission president, and European electronics executives.

The industrialists called for measures to assist the industry beyond a plan presented by Brussels last month to channel more research money into demand-creating infrastructure projects.

The competition directorate of Sir Leon Brittan, who did not attend last weekend's meeting in France, has said it will scrutinise any plan by the semiconductor makers to develop their joint research beyond JESS.

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BUSINESS
THE THINKING MONTHLY

**TONY RYAN'S
ROCKY RIDE**
GPA FLIER HITS TURBULENCE

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INTERNATIONAL NEWS

Embattled Ethiopian leader offers deal as rebel fighters close in

Mengistu in desperate bid to stay in power

By Julian Ozanne in Nairobi

PRESIDENT Mengistu Haile Mariam of Ethiopia yesterday reshuffled his cabinet in a desperate last-ditch effort to stay in power as rebels tightened their grip on the capital.

With fighters of the Ethiopian People's Revolutionary Democratic Front (EPRDF) within 65 miles of Addis Ababa after a series of lightning victories against demoralised government troops, Mr Mengistu's slim chances of survival depend on rebel reaction to a parliamentary proposal for a transitional government and a ceasefire.

Western diplomats in Addis Ababa say the appointment of the moderate Mr Tesfaye Dinka as prime minister is designed to win confidence among the rebel groups about the government's seriousness in opening negotiations.

But most observers believe the proposals are too late to prevent the violent disintegration of the country after 14 years of strong-arm rule by Mr Mengistu.

"Mengistu is finished. The only question is whether he will go peacefully or be forced out in a bloodbath," said one western diplomat.

Some observers believe the parliament's offer of open-ended, round-table talks with all opposition groups, probably outside Ethiopia, stands a slight chance of averting the looming catastrophe, but only if Mr Mengistu resigns.

Last Friday Mr Mengistu said he would stand down if it would preserve the unity of the country but for years he has cultivated the image of being the only man who can prevent the break-up of the country — a view which retains currency in some sections of the army and population.

Even if peace talks begin, fears are widespread about the real agenda of the Tigray People's Liberation Front, the main group in the EPRDF, which, until recently, was staunchly Stalinist and vague about its political programme except demanding the removal of Mr Mengistu.

As rebels closed on the capital earlier this week, the US ordered the evacuation of all non-essential embassy staff.

Concern is widespread that fighting could engulf Addis Ababa, unleashing violence after years of pent-up desire for

revenge. Those fears have been bolstered with the recent experience of Somalia, where the capital, Mogadishu, degenerated into an orgy of ethnic bloodletting and anarchy as rebels neared the city seeking to extract concessions from the government.

"The Mogadishu factor is very much in people's minds," said one resident of Addis Ababa.

For the moment the rebels appear wary of launching a full assault against the capital until prospects for negotiations are resolved. But with three provinces completely under rebel control, heavy fighting continuing on several fronts around Addis Ababa and the accession of Eritrean rebels pressing their campaign against government troops in Eritrea province it seems Ethiopia is in danger of fragmenting.

"It would take a miracle to stop this bleeding," said Mr Abdul Mohamud, a leading Ethiopian political analyst. "If Mengistu resigns immediately and the rebels hold off attacking Addis there is a chance. But it looks grim."



Mengistu talks proposal may be too late



Dinka: moderate trying to win confidence of rebels

Japanese output falls again

By Robert Thomson in Tokyo

JAPAN'S industrial output fell 1.3 per cent last month, the fourth decline in the past five months and the largest fall since July 1989, the Ministry of International Trade and Industry said yesterday.

The index, against the 1985 base of 100, stood at a seasonally adjusted 127.4 in March, while the inventory index rose 0.8 per cent to 118.2, the fifth monthly rise in succession.

At the same time, the inflation rate rose to 3.3 per cent in the financial year to end March from 2.9 per cent in 1989. However, there was a fall in consumer prices in Tokyo. The capital's consumer price index, a leading indicator, rose an annual 3.3 per cent for April, down from 3.7 per cent in March and lower than had been expected.

The Japanese government indicated yesterday it was determined to maintain a tight monetary policy, despite suggestions from Washington that lower interest rates would help the international economy.

US and Japanese trade officials yesterday suspended negotiations on foreign access to Japan's semiconductor market after they failed to settle a dispute over the wording on a market share target.

Tokyo has agreed to a target of 20 per cent for foreign chips, but does not want the figure to set a precedent for market share targets in other areas, and so wants vague wording. The US wants more precise wording.

Japan's Finance Ministry said US pressure would make no difference to the country's monetary policy, which remains tight despite slower growth and signs that inflation has begun to fall.

The Bank of Japan has been determined to cut money supply growth in an attempt to ease pressures arising from the sharp rise in stock and bond prices that were fuelled by easy credit in past years. The

bank has also been concerned that the labour shortage would add to inflationary pressures.

Mr Russell Jones, of UBS Phillips & Drew, said the industrial production figures were very weak, while the decline in Tokyo's inflation rate should offer some comfort to government officials who feared a sharp increase in service sector costs.

Japanese financial markets have expected that the Bank of Japan would lower the Official Discount Rate (ODR) from 6 per cent, but bank officials indicate that they want further heat removed from the economy before a rate cut.

The central bank fears that a cut in the near future could prompt a return to speculative stock purchases and a more general overheating of the economy. Mr Masami Kogay, the vice-minister of finance, said yesterday that hints from US President George Bush about the benefits of an interest rate cut would not influence monetary policy.

Antarctic talks head for failure

By Peter Bruce in Madrid

TALKS on an international agreement to protect the Antarctic from exploitation by mining companies appeared to be heading for failure yesterday.

Mr Curtis Bohlen, head of the US delegation and assistant secretary of state for economic and international environmental affairs, said that after a week of talks in Madrid supporters of a 40-year mining moratorium and others who want an eternal ban were at loggerheads.

The US backed by the UK, supports the 40-year moratorium, but is becoming isolated by the increasingly popular position of the Australian position, which favours an eternal ban.

Mr Bohlen said he had seen "no indication that they [the Australians] were willing to move away from the concept of a permanent ban". There was "no chance" that the conference, which ends on Tuesday, would reach consensus on Article Six of the Antarctic Treaty, which governs mining on the continent, he said.

Nevertheless, supporters of a total ban say their position has been improved by a change of heart this week by the Japanese, who came out in support of a permanent ban. Many delegates said it was likely that if the meeting failed to reach a consensus on mining, the issue would be discussed again in Bonn in October.

The Madrid meeting is, in effect, a continuation of a special consultative conference held in Chile last year.

Further talks are likely at the weekend in the faint hope of reaching agreement.

Disgraced PM makes come-back

By Stefan Wagstyl in Tokyo

MR Yasuhiro Nakasone, the former Japanese prime minister, was yesterday re-admitted to the ruling Liberal Democratic Party, ending a two-year banishment imposed for his involvement in the Recruit financial scandal.

Mr Nakasone's return will pave the way for other Recruit-tainted politicians to make political come-backs, including Mr Noboru Takeshita, another former prime minister who resigned from office at the height of the scandal in 1989. Mr Takeshita has retained great influence behind the

scenes and is widely thought to be considering campaigning for the prime ministership once more, when Mr Toshiki Kaifu's term expires in October.

Mr Nakasone's recovery highlights the extraordinary flexibility of Japanese politics, where policy and principle are less important than personal ambition. Mr Nakasone was allowed back precisely because Mr Takeshita and other senior figures involved in the Recruit affair feel his return will improve their own prospects. One MP said LDP leaders had taken heart from recent local

elections in which the party had extended its lead over opposition groups. This meant that "people had forgotten about Recruit," he said.

Unlike Mr Takeshita, Mr Nakasone is no longer considered a candidate for high office, but will not, for the time being at least, return to the intra-party faction he headed, which has been taken over by his lieutenant, Mr Michio Watanabe.

Mr Nakasone was never charged with any wrongdoing over Recruit but there was widespread doubt over his role.

Humble grandmother who healed the wounds of a warring nation

Mrs Chamorro has surprised the sceptics in her first year as president of Nicaragua, writes Tim Coone

A YEAR ago this week Mrs Violeta Barrios de Chamorro, a humble conservative grandmother with little political experience and believing in traditional values of home, family and God, donated Nicaragua's presidential seal.

In a country accustomed to disasters, both natural and man-made, one more seemed in the making. She had always shunned politics. Her previous taste of power, as a member of the post-revolutionary junta in 1978, had brought her to the edge of a nervous collapse — she resigned within a year, citing ill-health.

Pushed into the political front-line on the strength of her husband's past, she was assassinated by the dictatorial Somoza regime — she was called upon to lead a fractious opposition to the polls in 1990. Defying most predictions, she beat the left-wing Sandinista party (FSLN).

Mrs Chamorro inherited a nation bitterly divided by 10 years of civil war, which had divided even her own family. Few believed her capable of healing the wounds left by the 50,000 dead or of untangling the legal chaos created by the thousands of property expropriations during the 11 years of Sandinista government.

None the less, even her most



Mrs Chamorro: eschewing party politics

Lacayo has been the engineer of the peace. For the past year, he has patiently sat through thousands of hours of meetings with table-banging trade unionists, pistol-toting Contras, disgruntled cattle-ranchers and rough peasant farmers, all demanding more than he was able to give. It is largely due to his negotiating tenacity that all have so far settled for less.

A recent opinion poll showed Mr Lacayo to be the most popular politician in the country, ahead even of the president.

Not all have been so lavish in their compliments however. Mr Virgilio Godoy, the vice-president, is considered the chief spokesman for the right-wing sector of the UNO alliance, which bitterly criticises the government's pragmatism and President Chamorro's dependence upon Mr Lacayo. "It is [Lacayo] who chooses the ministers, and is giving the orders. He is running the country. He is running the government," he said.

Mr Lacayo recently accused Mr Godoy of wanting to oust Mrs Chamorro from the presidency. Mr Godoy denies this, saying he only wants to oust Mr Lacayo, to re-establish control by the 12-party UNO alliance over the government. "Lacayo has no political party,"

He shows a profound distaste towards the parties and their leaders. He runs the government like a business rather than a presidency," he said.

The one party that does exert control, however, according to Mr Godoy and his supporters, is the FSLN. They point to the government's refusal to remove army chief General Humberto Ortega, the brother of former president and Sandinista leader Daniel Ortega.

The moderates in UNO around Mr Lacayo, and the moderates of the FSLN, have in effect established a coalition. The FSLN has supported the government's "social contract" and economic plan; the UNO hardliners have not. In return for FSLN support for economic reform, the government has postponed sweeping military reforms.

That compromise has divided the Sandinistas. Hardliners within the party see Mr Lacayo as someone intent on eventually breaking the remaining Sandinista power — the army, police, and trade unions. General Ortega is being duped, they claim.

After consolidating peace in Nicaragua, Mrs Chamorro now has to revive the economy. And with unemployment and poverty rising that is no mean task.

UK NEWS

Ford steps up Halewood job cuts

By Ian Hamilton Fazey, Northern Correspondent

FORD of Britain is to step up job losses at its plant at Halewood on Merseyside because of the decline in car sales caused by the recession.

About 900 jobs will go at Halewood this year, but the company said they would be part of a five-year programme announced 12 months ago to reduce the workforce by 2,800 in a long-term productivity drive.

Mr Sarah Parris, head of public affairs at Ford, Halewood, said: "When we announced our programme last year we could not anticipate the drop in sales which the industry has experienced recently, just as we cannot possibly know where we will be in

three or four years' time." On Thursday, Ford said it was reviewing its cost structure and wanted to cut 2,500 of its salaried jobs throughout Europe over the next three years, mainly among white-collar support staff not directly employed in production

recovery," Sir Denys said. He also repeated a warning about job losses, which he first gave at the end of February when ICI announced a corporate restructuring programme.

"There will be plant closures and divestments and withdrawals from some businesses," he said.

or sales and marketing. Mr Martin Watkins, head of public affairs for Ford UK, emphasised yesterday that the cuts were also part of a long-term cost-reduction campaign.

Ford employed more than 14,000 people at Halewood in

the 1970s and the figure is now down to about 8,500, accompanied by labour-saving, capital-intensive manufacturing investment.

Mr Watkins said that the national 1979 workforce of 76,000 was now reduced to 44,000. There had been no compulsory redundancies and the aim was to continue job cuts through voluntary severance and early retirement. Recent talks with unions had been straightforward business meetings.

He added: "The current situation means that the focus has been somewhat sharpened. There is no precision about our programme and details are still being discussed."

Northern Telecom makes 205 redundant

NORTHERN Telecom, the Ulster telecommunications company, yesterday announced 205 redundancies at its Monkstown factory near Belfast, our Belfast Correspondent writes. That brings to more than 800 the number of job losses in Northern Ireland this week.

The company, a subsidiary of Northern Telecom Incorporated of Canada, makes advanced transmission systems, terminals, telephone sets and fax machines. It said the job cuts were necessary to enhance

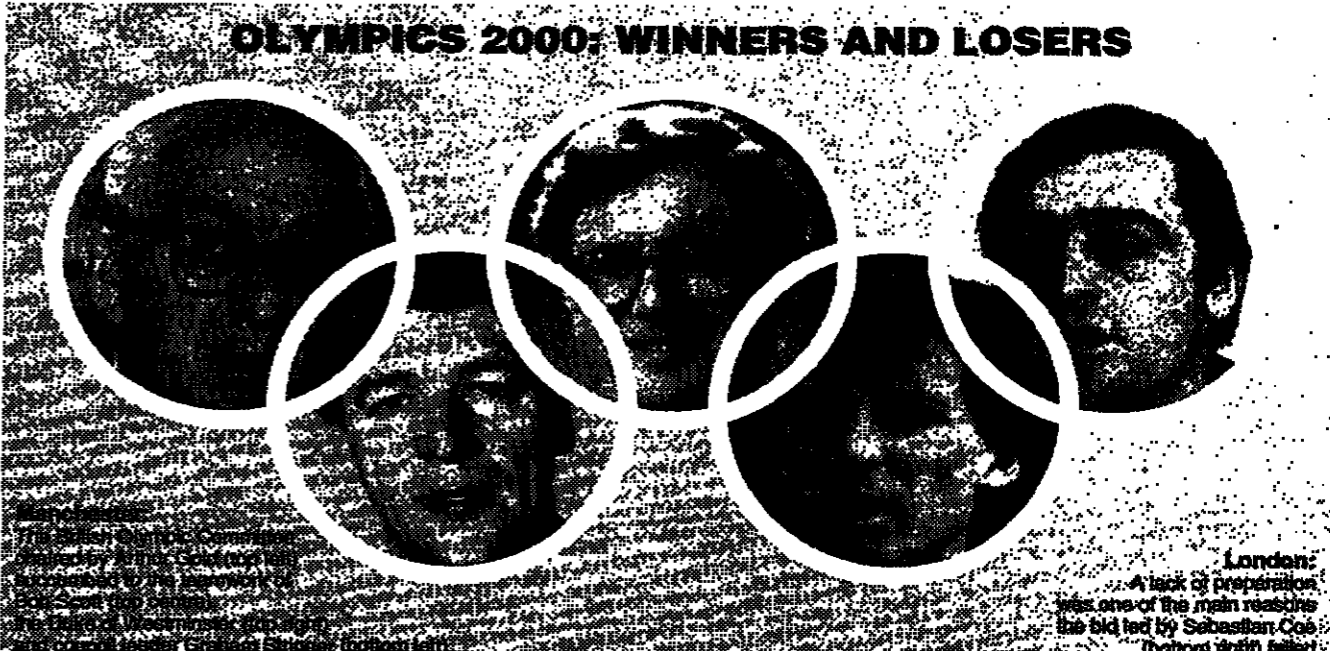
long-term business prospects. "A number of the redundancies will reflect lower-than-forecast levels of demand in some areas, symptomatic of the general economic climate."

Northern Telecom was formerly STC (Northern Ireland). In February, STC made 350 temporary employees redundant at its Monkstown plant.

Mr Richard Needham, the province's economy minister, said: "Northern Telecom [Incorporated of Canada] is a major

multinational with an annual turnover of close to £390m (£4.58bn) and 62,000 employees. With the telecommunications sector throughout Europe undergoing rapid and far-reaching change, the company has been examining how the former STC telecommunications operations might be restructured for the long term."

Under the new business structure, the company would continue as a high-technology plant responsible for the manufacture and development of new products.



Manchester goes for gold

Ian Hamilton Fazey on the costs of launching an Olympics bid

MANCHESTER has joined the billionaire bidding game that will preface the millennium Olympics. The British Olympic Association in London this week unanimously backed the city's bid to stage the games in the year 2000. Should Manchester win, the rewards could be substantial.

An independent study last year put the economic benefit of the north-west of England holding the Olympics at £2bn of direct and indirect investment; 50,000 jobs; a £500m boost to the UK balance of payments; and an increase in government tax receipts of about £180m.

The best city will be chosen by the International Olympic Committee in September 1993. Manchester's rivals are expected to include Berlin, Beijing, Sydney, Milan, Brasilia and Belgrade.

National Westminster Bank was quick to pledge £100,000 to back Manchester's efforts. Now Mr Bob Scott, chairman of the bid committee, is drawing up a list of leading businesses in the north-west that he hopes will give a total of £5m to back the games campaign. Capital costs of up to £500m for stadium and facilities will not be involved at this stage.

Mr Scott, a former theatrical impresario who conceived and ran Manchester's unsuccessful bid for the 1996 Olympics, said yesterday: "I am quite puritanical about this. We do not need to spend a lot of money and if £5m is not enough, I would even question whether it would be worth it."

Atlanta, which last year beat Manchester and four other cities for the 1996 prize, spent \$9m (£4.7m) on its bid, most of it provided by business in the state of Georgia. Manchester

started off last time by raising £5m and then had to go back to sponsors for another £1m to keep going.

The mood among north-west business leaders this time is bullish. "Everyone is going to take things much more seriously. We have had our rehearsal and now we know better what to do," said Mr Mel Harding, of the Manchester Financial and Professional Forum, which represents the city's financial industry.

The bid, with the Duke of Westminster acting as president, is in Manchester's name because the Olympics are always awarded to a particular city, but it will cover the north-west region, with various events staged in Cheshire, Lancashire and Merseyside as well as Greater Manchester.

The last attempt did more to unite the region than anything anyone can remember. Rivalry is more normal, especially

between Liverpool and Manchester. "It was a hell of a good thing for all of us," Mr Jeremy Weston, managing director of Barlows, a Chester-based investment group, said yesterday.

He added: "Everyone knows that a nine-year economic benefit will flow if we can succeed. Since this would have a wider impact than on just the region alone, we must also ensure that this becomes seen nationally as the British bid, with full backing from everywhere."

Mr Michael Potts, a partner of the Coopers Deloitte accountancy firm in Liverpool, was more cautious. "This is not a good climate in which to start raising money. Times are hard and we may need to see the recession further behind us before some companies will commit themselves."

However, Mr Scott has drawn up a list of businesses he hopes will take the longer

view already shown by NatWest.

On the list will be large companies headquartered in the north-west or with substantial interests there. It will almost certainly include ICI, Shell, Coats Viyella, Manchester Ship Canal, Littlewoods, Royal Insurance, Granada TV, Norweb, Manweb, North West Water, Manchester airport, Barclays, British Nuclear Fuels, Grenall Whitley, Paterson Zochonis, GEC, Ford, General Motors, the Co-operative Bank, Co-operative Insurance, Refuge Assurance, Amec and the Royal Bank of Scotland.

The bulk of those supported the bid last time and most accepted that it was in itself good for business, so success was not too important. A much clearer determination to win the right to host the games is now evident.

Mr Scott said Manchester City Council, led by Mr Graham Stringer, a Labour moderate, had agreed to underwrite the games on the strength of an assessment by Kleinwort Benson, the merchant bank, that they would be financially sound if the bid succeeded.

The two crucial factors were transport and the long-term viability of any facilities that had to be built. "We already have Britain's best regional network of motorways, major roads and other transport, as well as the fastest growing international airport in Europe," Mr Scott said.

"Most of the stadium and other facilities are already planned and will be built whether we get the games or not, so the financial questions have already been answered for most of the capital costs. As for the games themselves, they would certainly make a profit."

Why London failed

LONDON, beaten by Manchester in the contest for Britain's Olympics bid, had hoped the games would have provided a fillip for development in Docklands and a spur to transport and other spending.

The London Docklands Development Corporation yesterday played down the significance of the Olympics in helping to regenerate London. The LDDC said it had provided advice to the London Olympic Campaign but had begun meeting the organisers only recently.

London's bid failed on several grounds, according to those at the selection meeting. ● Lack of preparation: two rival groups were making competing bids for London until the end of January.

● Hazy details: many aspects of the London bid reflected the lack of preparation, with vague pledges for transport links and sports facilities which were expected to be completed in time but could not be guaranteed.

● Lack of leadership: Sebastian Coe, the former Olympic medal winner who was leading the team, admitted to the committee that his first priority was his campaign for election as a Conservative MP.

● Insufficient backing: there was lukewarm support from the London boroughs and a refusal by the City of London to be titular head.

Safety bill on nuclear transport

By Emma Tucker

NEW RULES for transporting radioactive and nuclear material by road gained an unexpected Commons third reading yesterday and are likely to become law.

The Dudley Fishburn, Conservative MP for Kensington, who introduced the bill, said all European Community countries had adopted standards set by the International Atomic Energy Agency.

The bill proposes giving the Department of Transport entry and inspection powers. It will allow penalties if the rules covering transportation of radioactive material by road are broken.

National Westminster Bank

With effect from 1 May 1991 for new borrowers, and from 1 June for existing borrowers, the NatWest Mortgage Rate payable under current Mortgage Deeds and Conditions of Offer will be reduced from 13.75% to 12.95%. This change will be reflected in existing borrowers' repayments from 5 or 22 June 1991.

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UK NEWS

Merchant bank goes into administration

By Ian Hamilton Fazez, Northern Correspondent

EDINGTON, the five-year-old merchant banking arm of Henry Cooke, the Manchester-based financial services group, went into administration yesterday to safeguard £20m of depositors' funds after a run of withdrawals by local authorities.

Mr David Adams, chief executive of the Henry Cooke Group, blamed the difficulties of Chancery, the London financial services group, which went into administration in February. "Local authorities have about £20m frozen in Chancery and their

advisers have been telling them to be very wary of smaller banks," he said.

The result was that local authorities, which temporarily withdrew funds at the end of their financial year to balance their own books, have not been putting them back on deposit shortly afterwards, as before. Up to £10m was involved and that caused liquidity shortages.

"The bank's balance sheet remains strong," Mr Adams added. "Our action has been taken with the full

knowledge of the Bank of England. By going into administration, we can ensure an orderly winding down and all depositors will get their money back."

The action also protects the more important Henry Cooke Lumsden (HCL) stockbroking arm of the group. Both HCL and Edington are wholly owned by the group, in which Refuge Assurance has a 20 per cent stake. HCL, one of the biggest stockbrokers outside London, has 27,000 clients and about £1bn under manage-

ment. It survived the 1987 crash with only 5 per cent cuts in staff. It now employs about 230 people in Manchester, Leeds and London.

Edington has had a bad debt arising from a fraud in the past two years, but Mr Adams said that had been well contained. It resulted in changes in Edington's senior management, however, including the departure of Mr Angus Scrimgeour, its co-founder.

Chancery had a similar type of deposit book to Edington, attracting

local authorities and some corporate funds.

Lending activities were different and Chancery suffered in the recession in property markets. Edington was involved in the relatively low-risk, low-priced and well spread northern merger and acquisition market, as well as regional lending for corporate expansion.

Edington's loans will now be managed by the administrator. The process of winding down is thought unlikely to take less than two years.

£200m plan for Cardiff development

By Anthony Moreton, Welsh Correspondent

TARMAC has put forward a £200m scheme to South Glamorgan County Council for redeveloping a site linking the commercial and shopping centre of Cardiff with its docklands waterfront.

The proposed project falls within the boundaries of the urban development corporation set up four years ago to regenerate 2,700 acres of Cardiff Bay. It is the largest urban redevelopment being undertaken in Europe after London's docklands.

Mr Sam Pickstock, chairman of Tarmac Atlantic Wharf Developments, said in Cardiff yesterday the scheme would go ahead even if the proposed £125m barrage across the entrance to Cardiff Bay was not built.

The private bill to promote the barrage, which is seen as crucial to the development, collapsed in parliament last week. The government has since said it will sponsor a new bill of its own to get the measure on the statute book.

Mr Pickstock said: "This scheme means we are making a long-term commitment to Cardiff, into the next century. Nowhere in the south of England has the same potential for development and growth as Cardiff."

Mr Peter Mathias, director of Holder, Mathias, Alcock, the Cardiff architects which designed the scheme, said the centrepiece was a crescent based on London's Regent Street.

Tarmac was the first developer to operate in Cardiff, arriving three years before the government set up an urban development corporation in 1987. It has already spent more than £50m and committed another £25m on houses, commercial buildings and site clearance in the area.

Grosvenor Waterside, the property arm in Cardiff of Associated British Ports, has already announced a £150m scheme on 40 acres for a mixed development nearby.

Warning for Lloyd's results

LOSSES from US pollution and asbestos claims may have a serious effect on the results of the whole of the Lloyd's marine insurance market, Mr John Prentice, chairman of the Wellington Underwriting Group, warned yesterday, Richard Lapper writes.

Wellington said earlier this week it was asking Names (Lloyd's members) to provide more than £100m to cover losses incurred by two of the nine syndicates it manages.

Mr Prentice said such losses had increased significantly recently.

British Gas close to price formula deadline

By Deborah Hargreaves

BRITISH GAS must announce details on Monday of its review of prices it charges 17m domestic customers for gas, or face another clash with the Office of Gas Supply, its regulator.

Ofgas said yesterday it would make public its own proposals for the new tariff formula to cover gas prices for the next five years. Ofgas added, however, that Mr James McKinnon, its director-general, had not yet agreed a new formula with British Gas.

British Gas has scheduled an announcement for midday on Monday when it must announce its response to Mr McKinnon's price proposals or face having the issue turned over to the Monopolies and Mergers Commission for a full inquiry.

Ofgas said it hoped agreement could be reached on Monday morning.

The regulator previously set the end of the month as a deadline for British Gas to reply to Ofgas's suggestions for a new pricing formula - the result

of an 11-month review. Under the present formula, British Gas raises gas prices to domestic consumers by the rate of inflation less an efficiency clawback of 2 percentage points. The company is also allowed to pass on the full cost of North Sea gas price rises to end-users.

The regulator is likely to push for an increase in the efficiency factor to 3 or 4 percentage points.

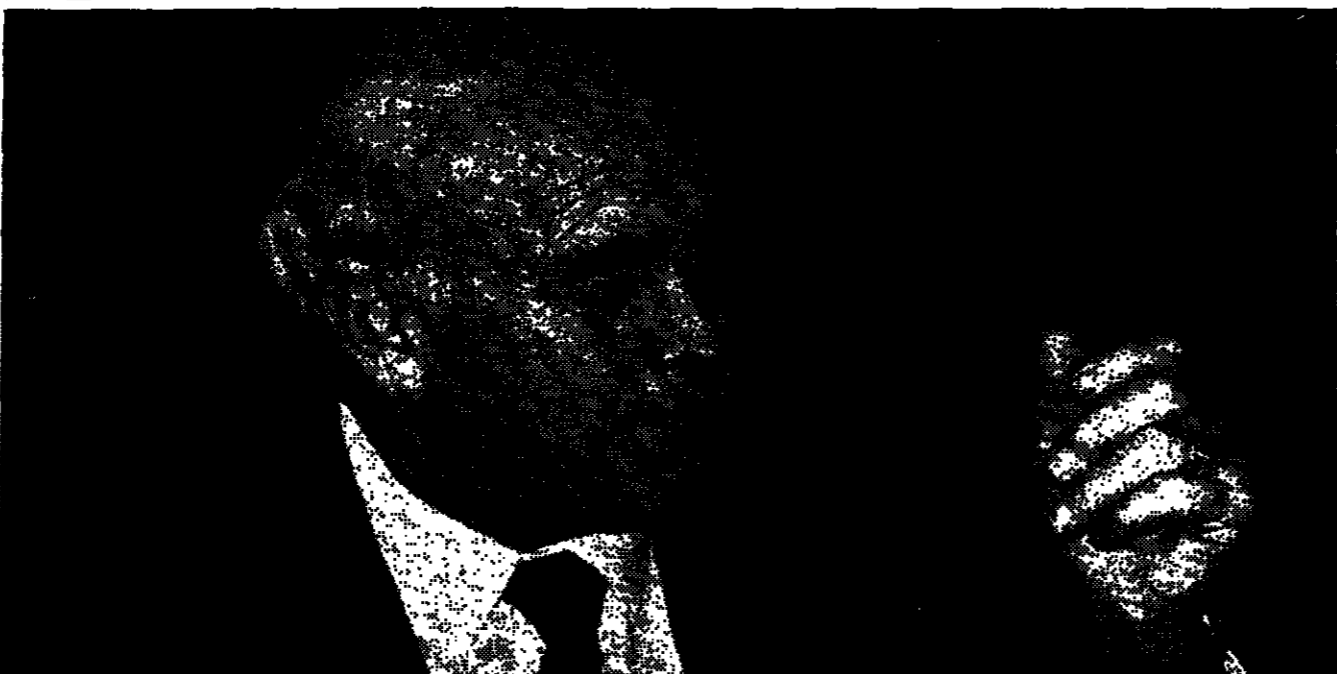
Many analysts believe that would give the company an

incentive to cut staffing levels and trim costs. Ms Irene Hilmora, of London broker Société Générale Strauss Turnbull, believes that on the basis of British Gas's profit forecasts for the next five years, an increase in the efficiency factor to 4 percentage points would halve the company's earnings-per-share growth from a rate of 9.5 per cent to 4.5 per cent.

Mr McKinnon has also hinted that he would like to cut the level of costs that the

company can pass to consumers. So in future, the amount of North Sea gas price rises that can be passed on may be cut from 100 per cent to 75 per cent.

The new pricing formula may also include performance standards for British Gas. Since the company is a monopoly supplier to the domestic market, Ofgas believes it must force British Gas to set public standards of service on, for example, call-out times and disconnections.



Time to invest: South Africa's President F.W. de Klerk told British businessmen yesterday that his country was ready politically and economically to restore full trading links with the world.

He urged the 300 executives at the Confederation of British Industry to be part of the fundamental changes taking place in South Africa.

"We want you to profit by what is happening," he said.

He offered the prospect of expansion to

investors already in his country and invited others to share in "the new South Africa".

Mr de Klerk was invited by the CBI to address members at the end of his week-long tour of European countries, during which he sought to encourage trade and investment and end remaining sanctions.

"The time is now, if we really wish to capitalise on the window of opportunity history has given us," he said. "Now is the time to invest in reform."

The audience sought assurances that South Africa would remain stable and viable as it transformed to a multi-party and multiracial system of government.

The president said all parties realised there would have to be a strong economy offering jobs and prosperity for everyone.

He accepted that South Africa faced a lack of skilled labour and said it would welcome immigrants with appropriate training to help economic progress. Photograph by Trevor Humphries

Standard Chartered staff given 5.5% rise

By Lisa Wood, Labour Staff

STANDARD Chartered, the British-based international bank, is to award its 2,000 clerical staff a pay increase of 5.5 per cent on basic pay and allowances from April 1.

An additional one-off unconditional payment of 2 per cent will be paid next month to compensate staff for the fact that Christmas bonuses will not be paid after this year.

The increase is among the lowest in the banking sector, although pay increases generally have been below inflation.

Earlier this month, National Westminster Bank told its employees it was imposing a 7.5 per cent pay increase, in spite of strong opposition from

Bifu, the financial services union, which is organising a strike ballot in pursuit of an improved offer. Members of the NatWest Staff Association voted in favour of the offer.

Lloyds Bank is to raise staff salaries by only 5 per cent. Barclays Bank, the first of the big four clearing banks to settle on pay, agreed a package worth more than 7 per cent while a 6.75 per cent offer at Trustee Savings Bank has been rejected by Bifu.

Bifu said yesterday that the pay award from Standard Chartered had been accepted by its negotiators and would be formally ratified after consultations with members.

Long application list to build wind farms

By John Hunt, Environment Correspondent

THE GOVERNMENT has a strong application list from companies wanting to build wind farms to supply electricity as an alternative source of power.

Collectively their plans would generate twice as much electricity as Mr John Wakeham, energy secretary, envisaged for this year's applications. Wind farms are a collection of turbines that are powered by the wind. Electricity is produced when the wind turns blades that are connected to a generator.

Among the bidders are PowerGen and National Power, the privatised power companies, which rely primarily on fossil fuels. The largest is the Wind Energy Group, a company jointly owned by Taylor Woodrow Construction and British Aerospace.

Companies have recently finished bidding for inclusion in the 1991 tranche of the Non-Fossil Fuel Obligation (NFFO). Under this system, renewable

energy projects - such as wind and wave power - and nuclear projects are supported by a levy on the power industry.

Mr Wakeham said he expected between 60MW and 120MW to be included in the NFFO round this year. The bids submitted have topped 250MW. That is equivalent to about 800 wind turbines compared with about 40 at present in operation in England and Wales.

Mr Michael Harper, energy campaigner of Friends of the Earth, the environment organisation, said yesterday that the extent of the interest being shown in wind power exposed the "paltry expectations" of the government for that form of alternative energy.

National Power confirmed that it had applied for wind farms on four sites, two in Cornwall and two in Wales. Each would produce 10MW. PowerGen has applied for 2.5MW for itself and 10MW in joint ventures with others.

NEWS IN BRIEF

Disruption threat to exams grows

THE prospect of disruption in this year's university exams heightened yesterday as lecturers' employers imposed an interim 5 per cent pay award outside the normal negotiating machinery.

Ms Diana Warwick, general secretary of the Association of University Teachers, said: "This decision is an insult to staff and will create enormous resentment."

The AUT executive will meet on Monday, when results of a ballot of members on industrial action will be known.

Brittan urges EC ties

THE UK's past approach to Europe had not been "a successful strategy", Sir Leon Brittan, European commissioner for competition, said yesterday.

Sir Leon urged the government to take the lead in talks on closer political ties, and said Britain's present positive approach was more effective.

"In the past the UK has sometimes tended to hang back, saving its energies for the last possible moment, when it has indignantly sought to reject compromises arrived at by others," he told members of Milton Keynes Chamber of Commerce.

Radars tests cancelled

TRIALS of a new air defence radar system in Wales have been cancelled by the Ministry of Defence.

The cancellation follows local opposition to plans to base the relocatable over-the-horizon radar at St David's airfield, near Llanelli. The radar was to have been based at Blackhill Radio Station near Crickdale, Wiltshire.

"The depth of local feeling was something we took into account when reaching our decision," the MoD said yesterday.

Triumph motorcycle

A NEW Triumph motorcycle, the 1200cc Trophy, went on sale yesterday, eight years after the first Triumph concern at Meriden, near Birmingham, collapsed.

The name and production rights were bought by businessman Mr John Bloor, who now hopes to produce 15,000 motorcycles a year from a plant in Huddersfield, West Yorkshire, which employs 80 people.

Brooke says Irish talks will help to 'see off terrorists'

By Ralph Atkins and Our Belfast Correspondent

THOSE taking part in talks next week about the future of Ireland will "see off the terrorists", Mr Peter Brooke, Northern Ireland secretary, said yesterday.

British and Irish ministers met in London yesterday for their last conference under the 1985 Anglo-Irish Agreement before round-table talks involving both governments and the province's political parties start in Belfast on Tuesday.

They set July 16 for their next conference under the agreement - leaving a gap of 11 weeks for talks, during which the agreement will effectively be suspended.

Unionist leaders yesterday insisted that the Republic of Ireland's constitutional claim on the province had to be removed before a "normal relationship" was possible between the two parts of the island.

Mr Brooke expressed qualified optimism about the talks which may forge a new Anglo-Irish pact. He said there was a "purposefulness" shared by all the participants. Mr Gerry Collins, Irish foreign minister, was more upbeat, saying: "We are hopeful, extremely hopeful."

Agreement, however, has still to be reached on the venue for later stages of the talks,

when discussions will widen to cover relations between north and south Ireland and between London and Dublin. Mr Collins said he believed a decision would be made "in a matter of days".

A joint statement after the conference said that without a renunciation of violence as a means of pursuing political objectives, there can be no place in the political process for those who espouse or support it.

Mr Brooke confirmed that "in the present circumstances" Sinn Féin, political wing of the IRA, would continue to be excluded from the talks process.

Unionists have opposed the 1985 agreement because of the role it gives the Irish Republic in the affairs of the province, but are now prepared to negotiate an alternative.

However, Mr James Molyneux and the Rev Ian Paisley, leaders of the Ulster Unionist and Democratic Unionist parties respectively, said Unionist MPs could not talk with the republic's government until at least two and three of the republic's constitution were removed. They said they were participating in next week's talks as part of a UK team.

Debate over local tax dominates poll battle

By Ralph Atkins

THE Labour and Conservative parties are both banking on winning the debate over the replacement for the poll tax as electioneering for the month-by-election begins and the local-election campaign enters its final days.

The cost to households of the government's proposed council tax and the Labour's "fair rates" yesterday dominated clashes as the campaign intensified ahead of polling next Thursday.

Meanwhile, Mr David Hunt, Welsh secretary, launched the Conservatives' campaign to retain the Monmouth constituency on May 16 with figures showing how the council tax would affect its voters.

The party is defending a majority of 9,350 against strong campaigning from Labour and the Liberal Democrats. All three parties are anxious to make a good start in the campaign on May 16 with figures showing how the council tax would affect its voters.

Mr Hunt said the average Monmouth household would pay £194 under the Tory proposals compared with a rates bill of £468 under Labour's.

Mr Bryan Gould, Labour's shadow environment secretary, retorted by claiming the Tories were favouring a scheme in which the average household would be "surcharged" to subsidise the wealthy and single-person households. Labour's proposals, he insisted, would cost the average household £87 less than the council tax.

The Liberal Democrats will this weekend outline the councils where the party expects to take control next week.

THE BLUE ARROW TRIAL

County holding shocked managers, jury is told

SENIOR managers at County NatWest reacted with shock and anger when they first learned of the size of the bank's holding in Blue Arrow and the resultant loss after the 1987 stock market crash, the Blue Arrow trial heard yesterday, John Mason writes.

Mr John Owen, treasurer of NatWest Investment Bank, told the court he attended a management meeting on December 17 held before County NatWest announced that it owned a disquieting 9.5 per cent stake in Blue Arrow which led to a loss of £49m. The general reaction to the draft announcement being discussed was shock and anger, he told Mr Nicholas Purnell, QC, prosecuting.

Ms Christine Downton, the chief executive of County NatWest Investment Management, was very angry at the implications for the reputation of her

division, he said. He later told Mr Alan Jones, QC, for Mr Segal, a County director, and one of the defendants it would have been "improper" for Mr Downton to have been told before of the holding, agreeing that that would have breached a "Chinese wall" within the County organisation.

County NatWest, NatWest Investment Bank, UBS Phillips & Drew Securities and seven individuals all deny conspiring to mislead the markets over the result of the 2537m rights issue.

After the issue, NWIB faced a total risk of almost £16m. Mr Owen organised an options hedge to protect against a fall in the share price. That covered £23m of the risk and realised a £39m profit, he said.

The trial continues on Monday.

HAGEMEYER N.V.

registered office in Amsterdam

ANNOUNCEMENT TO THE SHAREHOLDERS

At the publication of the 1990 results on February 26, 1991, it was announced that a dividend for 1990 of NLG 4.52 per ordinary share of NLG 20.- would be proposed to the General Meeting of Shareholders on May 1.

At the discretion of shareholders, this dividend may be paid either entirely in cash or partly in cash and partly in the form of a stock dividend of 1/32 Hagemeyer ordinary share (3 1/8%), to be paid either from the share premium account or, if desired, from retained earnings.

Hagemeyer now announces that the cash portion of this proposed optional dividend will be NLG 1.20.

Naarden, April 25, 1991

HAGEMEYER N.V.

Board of Management



HAGEMEYER

Private schools learn to love competition

Andrew Adonis on the uncertainties behind an apparently thriving independent sector

ACCORDING to Mr David Woodhead, director of the Independent School Information Service (ISIS), "The independent school sector is thriving." Such confidence masks an uncertain time for the sector after its prosperity in the 1980s.

The number of pupils at independent schools is up again to 7.5 per cent of the school-age population, but the national total masks a marked decline in boarding numbers. Behind the figures, the breeze of competition is blowing harder than it ever did in the 1980s, fanned by the declining numbers of school-age children.

The sector remains strongest at the post-16 level: a fifth of all sixth formers attend private schools. Recent growth has been particularly marked at the lower end of the spectrum, with the number of pupils aged three to six up by some 5 per cent on last year.

Many independent city and

suburban day schools are flourishing. The leading London day schools have some five suitable applicants for each place.

For boarding schools, however, the halcyon days are over, their numbers down another 3 per cent on last year. Mr Woodhead blames "antique stereotypes" and "changes in social custom", and Isis plans an autumn campaign to raise the profile of the boarding sector.

Weekly and fortnightly boarding has helped to slow the trend. "It is an attractive formula," says Mr Anthony Hart, headmaster of Cranleigh in Surrey. "You get all the advantages of a boarding life, but the children don't lose contact with their families." Even so, weekly boarding accounts for barely one in ten of all boarders.

It is not only boarding schools that look to the future with some anxiety. The recession is a pressing concern for

them all. With annual fees averaging £3,500 (£4,700 for boarders), up 12.5 per cent on last year, many existing parents are hard pressed to keep up with the cost.

If the leading day schools are largely unaffected, their lesser brethren are struggling to fill places. Introduction of co-education and on-site prep schools are common responses among secondary schools.

The headmaster of Colfe's school in South London, which has done both, comments: "We need to get people at seven, 11 and 16; and there is no doubt that times are hard for many of our parents."

Competition between such schools is getting tougher. In a recent survey, independent heads, four out of five anticipated greater competition, while two thirds expected to spend more time and money promoting themselves. They may even need to compete seri-

ously with state schools again, if opting-out and the national curriculum live up to ministerial hopes. "Whereas in the 1980s independent schools were in competition with each other," Mr Woodhead says, "they will have to start competing with a maintained sector offering increasing choice and variety, and able to market itself effectively."

The assisted-places scheme now pays part or all of the fees of 50,000 pupils (6.4 per cent), yet it is far from a source of relief for the less successful schools. Most assisted places are to be found in the big city day schools, and the likes of Haberdashers' Aske's, Dulwich College, and Stockport and Newcastle Grammar, all significant beneficiaries of the scheme, could comfortably fill their places without it.

The independent sector is making efforts to bridge the state/private divide. Mr Arthur Hearn, general secretary of the Independent School Joint

Council, is pioneering work-experience and teacher-training schemes spanning the two sectors and has had a warm reception from the Department of Education.

Finance apart, curriculum reform is a prime concern. Most independent heads are suspicious of A-level reform. "People talk about the gold standard," Mr Martin Rogers, headmaster of King Edward's Birmingham says, "but A-levels have long come off gold. We need a new exam that really stretches the most able pupils."

Yet for most independent heads, keeping the school full is the main preoccupation. With good reason: more than half of all "private" pupils are located in the south-east. Independent schools no longer have the region's traditional immunity from recession to help them, or even the left-wing Inner London Education Authority as an unwitting accomplice.

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1990 - a year of unexpected world turbulence

*Extracts from address by ICI Chairman Sir Denys Henderson
at the Annual General Meeting of Imperial Chemical Industries PLC
on April 26th 1991*

NINETEEN-NINETY was a year of sharply contrasting halves — reasonable growth in the first six months, followed by a serious decline in most economies of the western world. This was particularly acute in the UK, North America and Australia. If I remind you that Eastern Europe descended rapidly into political and financial turmoil, that much of Latin America continued to face harsh economic conditions, that many of our important customer industries (such as housing, construction, automobiles, textiles and consumer goods) slumped badly, and that in August the invasion of Kuwait resulted in drastic oil price increases — then I may justifiably describe 1990 as a year of unexpected turbulence worldwide. That was certainly true for the chemical industry, and ICI, despite its far-reaching structural changes in the 1980s, could not escape these dramatic developments.

Our 1990 pre-tax profits were well down on the record figures of 1989 but, at just under £1.0 billion, they remain substantial and much in line with most of our international competitors, who faced similar problems.

Nevertheless, they were disappointing, even allowing for the difficult trading climate. Some of our businesses performed very creditably, but a number of others were much less robust than we would have wished. We are therefore taking action to improve their performance through restructuring. This will include some divestments, further cost reductions and substantial reorganisation. You can be absolutely sure that a sense of urgency guides all our efforts. Fortunately, ICI was amongst the first to see the downturn coming, and the remedial action we took early on to strengthen our balance sheet, to conserve cash and to control costs has allowed us to maintain the dividend.

Acquisitions and divestments

Trading from June onwards became increasingly difficult as fears about the impact of the Gulf War reduced an already shaky business confidence. We were, however, able to conclude a number of important actions. We disposed of our stake in Enterprise Oil, acquired the 50% of Tioxide which we did not own and we bought the Atlas Powder Company in the USA to reinforce our global Explosives business. These are just three examples from sixteen acquisitions and twenty-one divestments which we completed last year as part of a reshaping process. We also reorganised our European businesses and created a new ICI Specialties grouping — both of which will improve efficiency and make us even more responsive to customer needs.

We do not yet see signs of the significant improvement in demand which is essential for a sustained recovery. The upturn should come eventually, although precisely when is hard to predict. Meanwhile, stringent cost control and the maintenance of a strong balance sheet must take priority, but not at the expense of our longer term goals.

Strategies and priorities

Last Autumn, my colleagues and I embarked on a far-reaching review of our existing strategies for both businesses and territories. Our conclusion was that ICI's strategy over the last decade was still directionally correct, but that it needed to be sharpened considerably. We need to be still more competitive, more international and more selective about where we put our resources. Our priority in the future must be given to those businesses where ICI already has, or can develop, a strong, global position in the three major markets of Europe, North America and Asia Pacific. We will concentrate on seven business groupings — Pharmaceuticals; Agrochemicals and Seeds; Specialties; Paints; Industrial Chemicals; Explosives; and a new Materials business which has been formed from ICI's existing expertise in Polyurethanes, Films, Fibres, Acrylics and Advanced Materials.

Businesses with real global profit potential will be priority candidates for expansion, while those without this potential will be maintained as cash generators or identified as candidates for divestment. We have allowed for the costs of further reshaping the ICI Group in the extraordinary item of £300 million which we have charged in the 1990 accounts. In every business and territory, efforts are underway to improve performance and we are determined to back strong businesses now and for the long haul.

We are not short of challenges. But we have excellent people to ensure that we grasp the opportunities of the 90s. To have weathered the last few stormy months has required the considerable skills and dedication of ICI employees everywhere. We value greatly each

There has been real progress on a number of fronts. Firstly, the innovative and responsible application of chemistry and related sciences will probably be the most important single factor in maintaining ICI's success in the future. Despite economic pressures, the Group has increased research and development expenditure to the point where, at £679 million, it is a marginally higher proportion of sales income than in 1989. We make reference in the Annual Report to three Queen's Awards for Technological Achievement and I am happy to say that we have just heard that we have received a further two. I am also pleased to report that we were awarded the prestigious Pollution Abatement Technology Award in the UK for an ICI catalytic process that removes unwanted by-products in a way that allows the products to be recycled. We can all be proud of the fact that through ICI technology we are improving the quality of life in many ways, which is consistent with our objective to ensure substantial profitable growth.

Secondly, I would refer to safety, health and the environment, where we have significantly stepped up our expenditure from over £600 million in 1989 to £740 million last year. Our safety performance is good. For example, our injury rate in 1989 was half that of manufacturing industry generally in the UK. But we still have some way to go before we are the equal of the very best in the chemical industry worldwide. I have set specific objectives regarding the environment which will be carefully monitored and effort and expenditure have increased. We have much to achieve before we can claim that we are operating in harmony with the global environment. But we are working extremely hard to achieve that part of the Group Purpose.

Finally, there is our long term commitment to shareholders and shareholder value. Let me assure you that everything we do has this as a key imperative. No one can be content with the fluctuation of our share price in 1990, and ICI was particularly affected in the early days of the Gulf War. On the other hand, the Board firmly believes that shareholder income deserves high priority and we were determined to maintain the dividend despite the adverse economic conditions. We have also responded to requests that we should consider introducing an ICI PEP, which does appear to have been particularly timely in the light of last month's Budget.

The future

So what of the immediate future? You will have seen from the first quarter's results that we are still in the grip of recession in many markets, although I do not think there has been any further deterioration since the end of last year. Indeed, the Gulf War has ended, oil prices have fallen to a more stable level and interest rates are slowly falling by modest steps. My crystal ball remains pretty cloudy about the next few months, but I suspect that 1991 may be the opposite of last year — a very difficult first half, followed by modest improvement in demand if conditions are right.

Critical to recovery is the restoration of business and consumer confidence. That, in turn, depends on much lower inflation and substantially reduced interest rates, adequate availability of credit to finance soundly-based investment plans, and a domestic currency which does not leave British exporters uncompetitively placed in world markets. Whatever the timing of these external events, it is clear that 1991 will be a difficult year. Beyond 1991, I believe that economic growth should resume, although probably at lower rates than in the second half of the last decade.

I remain optimistic that the products and processes of the chemical industry will continue to be much in demand in both the developed and developing worlds. I am also confident that the comprehensive review of policies and actions which I have described this morning will ensure that ICI shares fully in the opportunities before us.

Pre-tax profits just under £1 billion

Dividend maintained

Further reshaping of ICI Group
to improve performance

Three Queen's Awards for
Technological Achievement in 1990
and two in 1991

£740 million spent on safety,
health and environment

individual's contribution and we are committed to ensuring that all who work for ICI feel able to fulfil their potential. An example of this is the strengthening of our Equal Opportunities policy last year and the introduction of new measures to make it easier for women employees to raise a family while still pursuing a serious career in ICI. It is encouraging that the number of women in middle and senior management has virtually trebled in ICI over the last five years, although let us be clear, there is still a very long way to go.

Group Purpose: the ICI values

Underpinning Company policy, financial performance and concern for our people, there has always been a set of values which have consistently guided ICI over the years. Basically, these values describe our commitment to enhance the wealth and well-being of our shareholders, our employees, our customers and the communities in which we operate. Our success must be measured by our ability to translate these objectives into practice.



Just say no to Mr Bush

IS SLOW GROWTH about to be replaced by no growth in the world economy? Yes, according to the US Treasury. No, according to most forecasters, including the International Monetary Fund. The US administration's lobbying for a concerted cut in world interest rates is, therefore, likely to fall on deaf ears at this weekend's meeting of the finance ministers and central bankers of the group of seven industrial countries. At least the ears that matter will be deaf.

The recession in the US is not as serious as the administration suggests. To judge by the financial markets, at least. The Dow Jones Industrial average has risen by 10.5 per cent in the past three months alone, while the US dollar has risen by 18 per cent against the D-Mark over the same period.

Nor do US economic indicators paint an overwhelmingly gloomy picture. The US is now in its third quarter of an unexpectedly deep recession; but surveys of consumer confidence have maintained their immediate post-war strength and housing starts are beginning to increase.

US monetary policy has been steadily easing over the past two years. But the Federal Reserve, worried by inflation and maybe scintillating recovery, has appeared unwilling to cut interest rates further in recent weeks. Yet the US administration's call for concerted interest rate cuts is more than an attempt to put pressure on its chairman, Mr Alan Greenspan.

With the US presidential campaign on the horizon, the administration is nervous that a home-grown recovery may be as slow and sluggish as was the onset of recession last year.

Excessive interest rate cuts have stimulated investment by US consumers to a great extent. The added threat of a prolonged period of slow, or even no, growth in Europe and Japan sends shivers down the presidential spine.

New variation

No wonder Mr Bush is pursuing a new variation of a familiar theme: encourage the rest of the world to pull the US out of recession, by trying to convince it that this is in its own interest.

Yet the divergent aims and economic performance of the Japanese and Germans do not bode well for Mr Bush's chances.

The Japanese have kept a noticeably low profile in recent weeks as the duo of Mr Nicholas Brady, Treasury Secretary, and Mr David Mulford, Treasury Under-Secretary, have been national affairs, have hawked their wares. After over a year of tight monetary policy the

Japanese economy is slowing. Economic growth may slip below 4 per cent this year compared to 5.6 per cent in 1990 - a slump by recent Japanese standards, but unsustainably high for any other G7 country.

Policy co-ordination

Japan may ease interest rates over the next few months. But even if a reduction in their interest rates were desirable, the Japanese would be reticent over agreeing to another bout of policy co-ordination. The Japanese authorities blame the expansionary monetary policy that followed the 1987 Louvre accord for the Japanese asset-market bubble and the subsequent need to restore sanity to the Tokyo stock market.

In Germany, the next move may be up. The Bundesbank still fears that the west German economy is over-heating, never mind the economic collapse that is occurring east of the Elbe, which it blames on Mr Helmut Kohl.

Yesterday's announcement that wholesale sales in the western Länder rose by 10 per cent in real terms in the first quarter will have stiffened the Bundesbank's resolve, particularly with wage negotiations in the crucial engineering industries threatening to deliver wage rises of 7 per cent or more. Nor has the weakness of the D-Mark over the past month eased its worries.

It seems, then, that a concerted effort by the big three to stimulate the world economy by cutting interest rates is unlikely and undesirable. If the US economy does need a further monetary boost, what better time to provide it unilaterally than a week after the dollar reached its highest level for 16 months?

It is the recession-bound European economies, rather than the US, which have most to gain from a concerted cut in interest rates. A rise in interest rates in Germany combined with a cut in the US might push the D-Mark back to the top of the exchange rate mechanism and so make cuts in French, Italian and UK rates more difficult.

Why, then, has Mr Norman Lamont aligned himself so firmly with the Germans against the Brady proposal? Perhaps he is suffering from an excess of zeal. Perhaps he believes those Treasury forecasts of imminent recovery. If so he is among the few who do.

But perhaps he realises that the UK government has almost no chance of engineering a strong recovery before the general election. If so, lower inflation is likely to be all the government can bring to the hustings.

Mr David Brown, a clerk, said: "I'm weary. This is part and parcel of the move to turn the hospital into a general election year."

Guy's managers and Department of

Proposed cuts at Guy's hospital have cast doubts on health reforms, says Alan Pike

Clouds over a commercial vision

Like ambulance sirens blaring in a noiseless night, the voices of managers at Guy's hospital have shattered the peace with which the government thought it had secured its National Health Service reforms.

Mr William Waldegrave, health secretary, spent the weeks leading up to this month's changes renouncing the business-like style in which they were first presented, and stressing the government's continued attachment to the NHS as a secure, caring public service.

He appeared to have succeeded. But health is the most politically volatile of public services and, less than a month after the calm introduction of the reforms, the first explosion has occurred. Managers at Guy's have announced that they are seeking £12.8m in savings, hundreds of jobs losses, and the likely closure of some clinical services.

There is the greatest possible irony - an embarrassment for the government - in the fact that the first controversy over the reforms has come at Guy's, one of London's most famous teaching hospitals which became a self-governing trust on April 1.

Until earlier this year Mr Peter Griffiths, the trust's chief executive, worked in Whitehall as deputy head of the NHS management board. Ms Karen Caines, Guy's new general manager, went to the hospital directly from the Department of Health where she headed the division responsible for implementing the government's reforms. The reforms themselves were to an extent born at Guy's - Lord McColl, professor of surgery in its medical school and one of the hospital's top doctor-managers, was among the trustees who drew up the plan.

Guy's is run by people who played a prominent part in advancing the entire reform programme, and who are widely presumed to reflect official thinking. Yesterday this left staff at other hospitals fearing that Guy's, often described as the flagship of the reforms, was steering the rest of the fleet towards the commercial vision of balance sheet medicine which Mr Waldegrave has tried to dispel.

The government's opponents, meanwhile, are rejoicing in the fact that the affair has sent the whole question of NHS funding springing back up the political agenda in what could be a general election year.

There was a dark shadow over the campus of Guy's Hospital yesterday, in spite of the spring sun and gentle breeze blowing across London.

Crowds of patients and staff bustled between the buildings in the complex, and an open-air coffee shop was doing good business. But a hastily-scribbled National Union of Public Employees poster on a noticeboard nearby bore a solemn reminder: "600 jobs cut. Never before has it been more important to be in a trade union."

Mr David Brown, a clerk, said: "I'm weary. This is part and parcel of the move to turn the hospital into a general election year."

Guy's managers and Department of

Health officials were anxious to stress yesterday that the proposed job cuts are not directly related to the health reforms and the hospital's self-governing status. While essentially true, the argument that the cuts would probably have been made anyway was hardly likely to cheer critics, who have claimed consistently that underfunding is the NHS's overriding problem.

Britain spends less on health care in GDP terms than most comparable countries.

This week's events at Guy's will give added bite to a meeting at Chelmsford yesterday when Mr John Major, prime minister, will discuss with senior doctors targets for improving the nation's health.

The immediate problem for the Guy's trust is that it inherited £6.8m debt from the old system on NHS funding. Many hospitals and health authorities have, over the past year, been taking tough measures to clear debt and balance their books in readiness for this month's changes. Guy's neighbour, St Thomas, has recently completed a struggle to save £8m.

Mr Griffiths wants about 600 job cuts to help clear the deficit from the hospital's £12.8m budget and provide a further £6m for reinvestment in patient services.

Some senior medical staff at Guy's argued yesterday that, following years of repeatedly tight financial controls, there is no scope for achieving such savings without affecting services.

Prof Stewart Cameron, professor of renal medicine, said that when consultants voted 2-1 in favour of supporting self-governing status in a ballot which took place before the financial picture was clear, they believed that the trust would be a life with a £1.5m surplus rather than a £6.8m deficit. "We must all of us feel, if not cheated, at least that we have been misled," he said.

Even more alarming for many staff at Guy's and the trust's sister hospital at Lewisham is a decision by the management to conduct a review of all clinical services over the next three months to determine priorities for the future. Mr Griffiths said in a message to his 8,000 staff that "services whose patient satisfaction level is too low will find that resources will not be allocated to them".

The exercise is justified by the logic of the health reforms, which hospitals are funded in relation to the value of contracts they win from

health authorities and general practitioners. "If contracts are not won then the trust has no future," said Mr Griffiths. "There is no fall-back position, as there was in the past, on a block sum of money appearing every year irrespective of how many patients were treated or, even, how they were treated."

For managers, a decision to concentrate on what Guy's does best is likely to make sound managerial sense under the contract-based funding arrangements; activities which do not meet this criteria would be left to neighbouring hospitals.

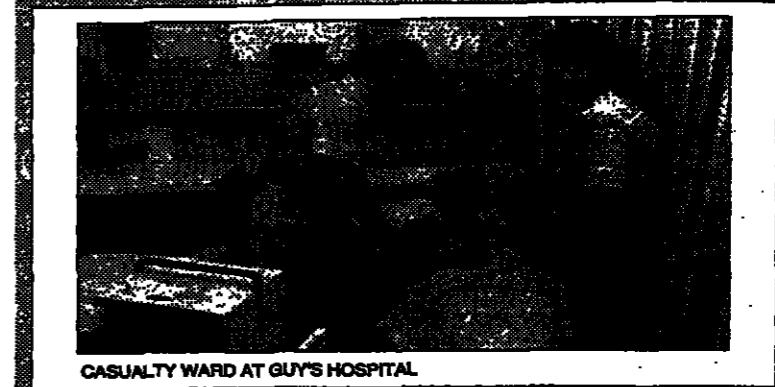
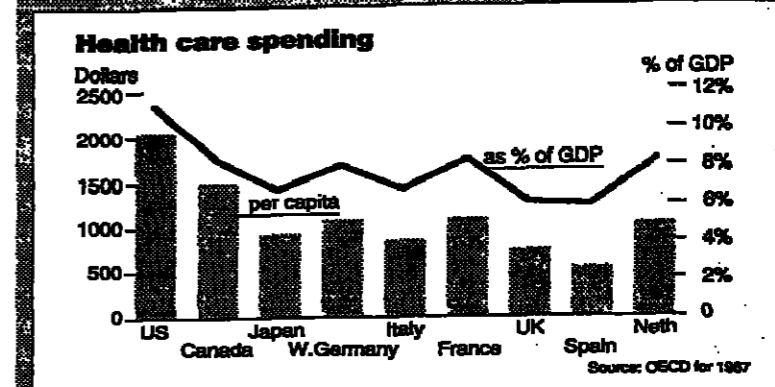
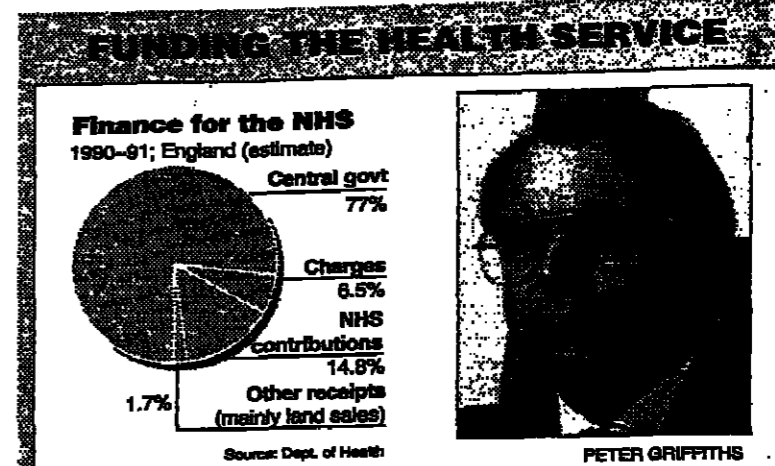
Many doctors fear, however, that the same financial pressures which have provoked the call for job cuts will tempt managers to concentrate on the most profitable activities. There is concern that unglamorous areas such as geriatric care and services to the relatively deprived communities from which Guy's and Lewisham hospitals draw their local patients may be at risk.

Even if Guy's gets the staff cuts and financial savings it is seeking, this will only clear managers' decks for some even bigger potential problems.

The London teaching hospitals, as national centres of excellence, draw many of their patients from outside the capital. They are expensive institutions to run and, with contract funding, may show up as uncompetitive compared with local hospitals in the new market-based NHS. Health authorities in the home counties now operate under strong financial incentives to treat more patients locally rather than send them to London.

In addition, the regional allocation of NHS finance will in future be broadly related to population. This will put on an already tight budget fact that the capital has more than its fair share of hospital provision. Combined, these factors provide a recipe for aggressive competition between the London teaching hospitals, leading to the probable eventual closure of at least one - with many more financial dramas like this week's events at Guy's in between.

Guy's will not be alone in seeking to reduce costs. The Bradford Hospitals trust is likely to shed 300 jobs over the next three years to save £7m. Leeds General Infirmary is reviewing costs and the Royal London faces a likely £1.5m shortfall this year. The problem is not restricted to trusts - all hospitals are now funded on the basis of the contracts they attract -



CASUALTY WARD AT GUY'S HOSPITAL

but trust managers will enjoy wider freedom of manoeuvre in tackling it. All hospitals are heavily labour-intensive by the nature of their work - nearly £50m of the £12.8m Guy's budget goes in staff costs. Many hospital staff on the lower grades are in poorly paid jobs where productivity and efficiency levels are often modest.

One of the biggest challenges facing managers is to find ways of lifting productivity, for example, by turning porters into multi-skilled general support workers, and increasing the use of cost-effective day-surgery treatment techniques. So, although the NHS will remain labour intensive, its managers are beginning to follow the trend in other sectors towards fewer staff doing more varied, highly-qualified jobs.

While public finance remains tight,

this is one of the most promising means of releasing more money for patient care. But, as the events at Guy's have shown, NHS managers do not have the same opportunities as their counterparts in industry to get there through quiet negotiation. Health is too much of a political battleground occupied by sectional interests for that.

Ministers hope that the introduction of self-governing trusts will eventually enable hospitals to be managed out of the political spotlight in a more local, low-key way. Eventually perhaps, but not yet. By yesterday, the events at Guy's had provoked uproar, questions in parliament, and demands for the scrapping of the health reforms. The prospects of the NHS being a dominant issue in the next general election remain high.

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A hospital porter said: "I think it's scandalous. We're already understaffed. A lot of rumours have been going about but they never tell us anything. I suppose there's not much we can do about it."

A pharmacy assistant was more scathing. "I've been here a long time," she said. "I could retire in three years. If they retire me, that's OK."

"It's a shame," said Mr Ron Kiley, a pensioner who has used the hospital for many years.

One woman smiled as she hurried past. "I'm not prepared to comment, but let's just say this. The wrong people will be going."

Guy's on the casualty list

Andrew Jack on the solemn mood at the London hospital

make redundancies easier." A counsellor at Guy's said: "I think it's horrific. It's difficult to understand how a hospital that was declared viable when it applied for trust status can now suddenly be in such an appalling financial state."

Mr Helen Criswell, a senior house officer, said she was concerned, but still supported the principle of Guy's opting out. "I'm not in favour of people

losing their jobs. But I think we've taken out a layer of administration. It was very difficult to embark on any change in the past."

"I hope they will take this opportunity to change the way the health service runs, to make it more efficient and relevant to the local population."

Professor Stewart Cameron, professor of renal medicine, said: "Flagship

Guy's is listing badly. There's no fat, there's practically no muscle and we are virtually down to the bone."

He said consultants - who voted convincingly for Guy's to become a self-governing trust - were told the hospital had been projected to make a £1.5m surplus in its first year.

"How is it that they got their estimates so catastrophically wrong?" he said. "And how can we have any con-

MAN IN THE NEWS

Jalal Talabani
Fixer finds friends for his Kurds

By Victor Mallet

Turkey to become permanent refugees. At the same time they believe the west has accepted that Mr Saddam will stay in power, and they want to squeeze concessions from the Iraqi leader while he is still weak in the aftermath of the war over Kuwait.

"We are alone," Mr Talabani said at rebel headquarters in Shaqlawa after his meeting with Mr Saddam. "We have no friends. The Iraqi government wanted to crush us, but was unable to do so. And we wanted to overthrow the government but have not been able to do so."

So the negotiations continue. Nobody would have been surprised at Mr Talabani's decision to talk to his enemies in the Iraqi government, or at his subsequent optimism about the prospects for democracy in Iraq and autonomy for Kurdistan.

Mr Talabani and his fellow Kurds are taking an extraordinary political risk by talking to President Saddam at such a time and by urging Kurds to return home when their long-term safety from government reprisals is not assured, but they feel they have no choice. They do not want the nearly 2m Kurds who have fled to the borders with Iran and



seeking to overthrow Mr Saddam, but his friends and allies are confident that he is not about to throw caution to the winds. "I don't think he can be deceived or be made to agree to something that does not accord with his principles," says Mr Ibrahim Ahmed, his father-in-law.

Mr Talabani, who is married with two sons, is as relaxed in a western suit and sitting on a sofa as he is in baggy trousers and turban sitting on the ground surrounded by his pesh mero (the Kurdish guerrillas, or "those who face death").

Years ago he often used to harangue his PUK colleagues and threaten to resign as leader if he did not get his way. He would fling down his revolver, tell his colleagues to do what they wanted without him and make as if to leave.

They invariably urged him to stay, handed back his revolver, and yielded to his wishes. But one day, so the story goes, when times were hard in Kurdistan before the end of the Iran-Iraq war in 1988, an angry pesh mero

international affairs and their relevance for the Kurdish problem than most of his rivals.

He was particularly anguished when the Iraqi government used Iraqi Kurds based in Iran to fight Iranian Kurds during the Iran-Iraq war. Like many Kurds, he espouses ideals of cross-border Kurdish nationalism but has come to accept that complete independence is not a goal which can be achieved in the teeth of opposition from Turkey, Iran and Iraq.

His aim now is an autonomous Iraqi Kurdistan within a democratic Iraq, an ambition so acceptable to Turkey that he was invited to meet Turkish government officials in March. He is already close to the Syrians and sometimes lives in Damascus. As for the Iraqis, this is the third time that Mr Talabani has done so, in a quest for peace with the government in Baghdad, although this time the stakes are higher. Since he last met President Saddam in 1984, the Iraqi government has ceased to deny the residents of Halabja and all but finished its programme of depopulating the Kurdish countryside by demolishing villages and deporting the inhabitants.

Some Kurds are inordinately proud of the 1970 autonomy agreement reached with Baghdad by Mustafa Barzani, and it is on this agreement that the proposed deal between the Kurds and the Iraqi government is to be based. Kurds admire the 1970 accord because it represents a far greater series of concessions from a central government than the Kurds have won in Iran or Turkey, but it remains a piece of paper of the kind not normally respected by Mr Saddam.

Mr Talabani and his allies are nevertheless hoping to put it into practice and to enforce it by means of international guarantees. "I have never seen in all this time such a positive spirit, such a positive climate, such positive ground for negotiation on Iraqi Kurdistan," said Mr Talabani after meeting Mr Saddam. His supporters are praying that his political acumen has not deserted him.

His early differences with the Barzani clan arose partly because he and his leftist allies saw the Barzani as tribal and backward, and to this day Mr Talabani's supporters say he has a much better grasp of

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UK COMPANY NEWS

£49m rights issue will lift group asset base to £94m
Guinness Mahon shows £35m loss

By David Lascelles, Banking Editor

GUINNESS MAHON Holdings, the merchant banking group, yesterday confirmed plans for a £49m rights issue following disclosure of midway losses of £35.5m mainly due to provision against bad debts. The Bank of Yokohama, which owns 65 per cent of the company, will actively underwrite the issue and tighten management control.

The issue will be on the basis of seven for four at a price of 44p. The shares closed last night unchanged at 45p.

Bank of Yokohama will take up its entitlement, and will also sub-underwrite the balance, which is being underwritten by Schroder Wagg and Lehman Brothers International. The Japanese bank will advance Guinness Mahon a £30m bridging loan so that its capital rights remain in order until the rights issue proceeds are received. The issue will raise the group's net assets from £44.4m to £93.9m.

Details of the capital-raising were accompanied by changes in the top management structure and group strategy. Mr Geoffrey Bell, the executive chairman, will move to a non-executive role. Mr David Potter, who runs the merchant bank, will become chief executive of the group and chairman of the bank. Mr Bell said the group's strategy would be refocused



Geoffrey Bell, relinquishing the reins of power

appointment as a non-executive director of Mr Takashi Shimozaki. He will also become deputy chairman of the merchant bank.

More Yokohama executives will also join Guinness Mahon's management, and will play a larger part in credit and lending decisions. Several executives have left the group, and a number of new appointments were announced yesterday.

Mr Bell said the group's strategy would be refocused

away from corporate lending towards fee-earning services, particularly in the corporate finance area. Asset management and securities trading, both of which are benefiting from the recent upturn in the stock market, would also be developed. Leasing activities would be closed down.

However, Mr Bell warned that it might be necessary to make further loan loss provisions, and the bank was unlikely to return to profitability for some time because loans

were not earning interest. "The next stages in the development of GMH will be very challenging and the need to succeed is paramount," said Mr Bell.

The results for the six months ending March 31 showed a loss of £35.5m, mainly because of a bad debt provision of £30m. The loss was concentrated on smaller computing service and printing companies, needed a provision of £7m. The property book required provisions of £2m, as did the Irish subsidiary, and the shipping book.

There were also provisions of £10m against two large corporate names, one of which is believed to be Polly Peck.

Non-merchant banking activities made a loss of £482,000. In the first six months of last year, there was a net profit of £2m.

No interim dividend is to be paid (0.8p), a total of 1.45p was paid last time.

Mr Ken-ichi Ozawa, deputy chairman of GMH, said the Bank of Yokohama had confidence in the new management team and its ability to overcome "this difficult situation". He said he believed the group could "regain its position and reputation as an important force in UK merchant banking capitalising on its Japanese connections."

Far East closures from Lloyds Bank

By David Barchard

LLOYDS BANK, the smallest of the 'Big Four' UK clearing banks, is to close its commercial banking and treasury operations in Hong Kong and Singapore, along with its representative offices in Indonesia and the Shenzhen Economic Zone of China.

The closure is the latest in a series of withdrawals from overseas operations by Lloyds Bank to concentrate on more profitable retail banking activities in the UK. The Hong Kong branch employed 100 people and made post-tax profits of £2.7m

last year. Lloyds said yesterday that it hoped that a fair number of its employees would be given new jobs in its Hong Kong private banking operations which are not affected by the closure.

The Singapore branch employed 47 people with profits of £1.2m. All the operations being closed had been on the market for several months but suitable buyers had failed to appear.

Lloyds commercial and treasury activities in Korea and Taiwan are also up for sale. The bank, however, said yesterday

that negotiations with possible buyers were under way. Lloyds says it has no intention of withdrawing from corporate and treasury activities in Japan.

The operations being closed had combined net assets of £20.2m at the end of last year. "This restructuring is consistent with our policy of concentrating our resources on activities which can make a significant contribution to our total business results," said Mr Frank Jones, director of international banking at Lloyds.

James Tildesley resigns from Norton Grp board

By Jane Fuller

MR JAMES TILDESLEY has resigned as chairman and chief executive of Norton Group and quit the board. He has been at the centre of one of the controversies besetting the engineering concern which includes the famous motorcycle marque.

Norton is being investigated by the DTI and its shares were suspended at 15p on April 1 because of a delay in publishing results for the six months to October 31.

Yesterday evening's announcement included no reason for the departure and no one was available to comment at Norton.

Mr Tildesley, non-executive chairman since 1988, only stepped into the chief executive position in January, when Mr Philippe Le Roux resigned. The controversy involving

Mr Tildesley concerned the £8.2m purchase of a German fastener maker from a Channel Islands trust company set up to benefit his offspring. His former company, FPM, had founded the German business.

A poorly supported £8.5m rights issue to help complete the purchase had a bumpy conclusion in January.

Norton's new non-executive chairman is Mr Norman Minty, who joined the board when Norton reversed into his eponymous furniture company in June 1989, thereby gaining a main market listing.

Norton also announced two other board appointments, again with no amplification. A Mr D MacDonald becomes chief executive and a Mr N Wilson joins as a non-executive director.

Board challenge defeated at Walter Greenbank

By Jane Fuller

THE BOARD of Walker Greenbank, the commercial wallcoverings group, yesterday fought off an attempt by Aubin, its largest shareholder to have five new non-executive directors elected.

After the extraordinary general meeting in London, Mr Charles Wightman, chief executive, offered to help Aubin, a Jersey-based investment company, dispose of its near 28 per cent stake. Walker maintained that Aubin was trying to take control of the group on the cheap.

Mr Wightman said at least 20 of the 25 institutional investors and more than 1,000 small shareholders had voted against the challenge. He warned that similar support would be mobilised if Aubin tried to oust any of the three directors standing

for re-election at the June annual meeting. Walker's board did not, however, have a completely smooth ride.

Mr Chris Wright, of British Airways Pension Fund, which has a near 4 per cent stake, asked why Walker had failed to mention 1989 losses at Bryant Corporation when it recently bought part of that group, and whether the best prices had been obtained for a string of subsidiaries sold to management.

Mr David Richards, chairman, said the Bryant losses were irrelevant because they did not apply to the purchases. Mr Wright replied: "As an institution we could have understood that explanation and we object strongly to the information being withheld."

Watson & Philip
£36m buy
and rights

By John Thornhill

WATSON & PHILIP, the Dundee-based food and stores services group, is to expand its wholesaling and retailing interests through the acquisition of Amalgamated Foods, a privately-owned business, for £35.5m in shares.

The company is also making a cash call of £11.2m which shareholders can subscribe for on a three-for-five basis at 25p per share. W&P's shares rose 8p to 265p yesterday.

The acquisition will double the size of W&P's business and extend its coverage into the English wholesale and convenience stores market.

Both W&P and AF are suppliers to stores in the Spar and Sainsbury groups. W&P services some 180 independent retailers and owns 37 convenience stores in Scotland while AF deals with over 1,000 independent food outlets in England and runs 32 wholly-owned convenience stores trading in the Aldays format.

Mr Ian Macpherson, chairman of W&P, said yesterday: "We have been waiting out for a long time together. In March we decided it was time to go to church and at 5.15 this morning we tied the knot."

The acquisition will be financed through the issue of shares worth £21.8m to the vendors and a placing of a further £13.7m of shares on the vendors' behalf.

Robert Fleming has underwritten both the vendor placing and the cash call although gauging from W&P's steady share price yesterday it looked as though the issues had been well-received.

Mr Ron Jacques, chairman of AF, said his family holding account for 80 per cent of the company's shares.

Following the acquisition, AF's vendors will end up with 24.7 per cent stake in the enlarged W&P although they will be bound by a standstill agreement.

Mr Macpherson said the food distribution industry was in a process of rationalisation as had been demonstrated by Booker's £300m acquisition of Fitch Lovell last September.

"We will now be in the top three or four in the industry," he said. "We wanted to make sure that we were the rationalisers rather than the rationalised."

The enlarged company will be combined on a merger-accounting basis. This would have given the company combined sales of £457.9m and pre-tax profits of £10.4m in the year to October 26 1990. W&P's earnings per share would have shown an 11 per cent improvement.

Correction
VLSI partnership

VLSI, US-based semiconductor supplier, is the third partner in a new company set up with microcomputer companies Acorn and Apple and not ISI Logic as reported yesterday.

£39m rights issue will give
Lyonnaisse 12% of McAlpine

By Andrew Taylor, Construction Correspondent

THE SHARE price of Alfred McAlpine, the construction and house building group, fell by almost a tenth yesterday after the company announced a 1-for-2 rights issue to raise £38.2m.

As a result of the issue Lyonaisse des Baux-Dumez, one of Europe's largest construction companies, would increase its stake in McAlpine from 6 per cent to 12 per cent.

Mr Graeme Odgers, McAlpine's chief executive, said the two companies had previously agreed that Lyonaisse could increase its shareholding to 12 per cent. He had been assured that the French group had no intention of making a bid for McAlpine.

Lyonaisse will increase its stake by buying the bulk of the new shares issued to the McAlpine family trust by the rights issue.

The family's stake in the

business would fall from 25.6 per cent to 19.5 per cent.

It was the second day running that a cash call from a construction company had been poorly received by the stock market.

On Thursday the share price of Y3 Lovell fell by 18.5 per cent to 145p following the announcement of a 2-for-5 rights issue to raise £30m. Yesterday Lovell's share price fell further to 143p, only 13p more than the offer price for the new shares.

Alfred McAlpine's share price fell from 266p to 259p. The company is offering one new share at 25p for every two already owned. This would give a theoretical ex-rights price of 265p - 8p more than last night's closing price.

Institutional investors may have become disenchanted with the volume of paper which has been issued by con-

struction, building materials and property companies. These have sought to raise more than £1bn, accounting for a third of all rights issues since the beginning of January.

Mr Odgers said the company needed the money to reduce its high level of borrowing and to strengthen its UK house building and contracting businesses. It would also be looking to invest in its US contracting and building materials operations.

Group borrowings were averaging £30m, equivalent to more than 60 per cent of shareholder funds.

Pre-tax profits for the 12 months to the end of October fell by 61 per cent to £9.2m. The group has reorganised its businesses, reduced its workforce by 10 per cent and strengthened its management following the appointment of Mr Odgers.

Provisions cut NHL by 35%

By David Barchard

PRE-TAX profits at National Home Loans, the mortgage lender and financial services group, fell by 35 per cent in the six months to March 31, after the group was forced to make heavy provisions against bad debts.

Taxable profits for the period were £10.1m, down from £15.6m in the same period a year earlier.

Mr John Darby, chairman, said the group had been hit by the most difficult housing market for 50 years, but he was confident that the downturn in profitability would be only temporary.

Mr Darby disclosed that the group had been the subject of a fraud which, he said, was under investigation by the Serious Fraud Office. This had caused a loss of £3.5m to the group, of which £2.8m, net of tax relief, was taken as an extraordinary item.

The loss related to lending through the Castlegate Group, a second mortgage and consumer finance broker in Reading, which went into creditors' voluntary liquidation in December.

Provisions for other bad debts, including mortgage arrears, rose from £200,000 a year ago to £15.2m. Mr Kevin Milner, chief executive, said that just under 1,000 homes had been repossessed by the group. Its mortgage book now stands at £1.7bn, down from £2bn at the end of last year. New lending in 1991 has risen to

£500m, up from £450m in the same period of 1990.

Most of the group's subsidiaries were said to be performing satisfactorily, though the group's leading subsidiary made a loss. Interest receivable was £178.5m (£184.6m) while interest payable was £153.2m (£162.9m). Total operating income was £44.5m, up from £30.6m, while operating expenses rose to £18.1m from £14.2m.

Earnings per share fell from 7.4p a year ago to 3.4p, but the interim dividend is being maintained unchanged at 3.75p.

COMMENT

A year ago NHL looked as if it had found a way to come almost unscathed through the depression in the housing market. The jump in its level of provisioning since then suggests that it was unduly complacent and is now paying the price. Nonetheless, there are some signs of strength in its latest set of figures. Income is healthy up. Mortgage arrears are said to have peaked, while margins have widened. On this form, the group seems on course for profits of around £20m by the year end, and a maintained dividend. But as with all mortgage lenders this will depend on how quickly the mortgage market revives. Meanwhile, its performance has a distinctly fragile appearance, which is not helped by greater reticence than in the past about supplying details of how its subsidiaries are faring.

Granada expected to take over
BSkyB satellite TV rental side

By Raymond Snoddy

GRANADA GROUP is expected to take over the satellite television rental business built up by Mr Rupert Murdoch's Sky Television in the early months of the satellite venture.

As a result Granada will take over more than 200,000 rental agreements for satellite dishes and receivers, giving a boost to the company's rental division which already has some 2.5m customers. The agreement, expected to be signed by the end of the year, will mean additional revenue of more than £25m a year for Granada.

Mr Murdoch set up his own rental organisation in the early

days of Sky when there was an overwhelming need to increase the number of viewers as quickly as possible.

Since the merger of Sky Television and its rival British Satellite Broadcasting in November to form BSkyB, a consortium in which Pearson, publishers of the Financial Times, has a significant stake, the television company has been less interested in being directly involved in rental.

The deal is effective compensation for Granada's losses on surplus BSkyB satellites. Granada was stuck with about £20m in redundant stock because of

the merger, and was one of those with a legal case for compensation against BSkyB even though it was an investor in the satellite venture.

Last week Comet, Kingfisher's summer electronics chain, won a judgment against BSkyB because of the effects of the merger on its business. Comet is claiming more than £10m compensation although BSkyB said it would appeal.

Apart from revenues of about £10 a month from each satellite rental customer, Granada will also collect film channel subscriptions from them for BSkyB.

LONDON RECENT ISSUES

Issue Price	Amount Paid	Latest Bid	1991	Stock	Closing Price	+ or -	Net Div	Time to Maturity	Yield Rate
100	100	100	100	British Airways	100	0	2.5	1.8	12.9
100	100	100	100	British Telecom	100	0	2.5	1.8	12.9
100	100	100	100	British Petroleum	100	0	2.5	1.8	12.9
100	100	100	100	British Gas	100	0	2.5	1.8	12.9
100	100	100	100	British Steel	100	0	2.5	1.8	12.9
100	100	100	100	British Airways	100	0	2.5	1.8	12.9
100	100	100	100	British Telecom	100	0	2.5	1.8	12.9
100	100	100	100	British Petroleum	100	0	2.5	1.8	12.9
100	100	100	100	British Gas	100	0	2.5	1.8	12.9
100	100	100	100	British Steel	100	0	2.5	1.8	12.9

FIXED INTEREST STOCKS

Issue Price	Amount Paid	Latest Bid	1991	Stock	Closing Price	+ or -	Net Div	Time to Maturity	Yield Rate
100	100	100	100	British Airways	100	0	2.5	1.8	12.9
100	100	100	100	British Telecom	100	0	2.5	1.8	12.9
100	100	100	100	British Petroleum	100	0	2.5	1.8	12.9
100	100	100	100	British Gas	100	0	2.5	1.8	12.9
100	100	100	100	British Steel	100	0	2.5	1.8	12.9

RIGHTS OFFERS

Issue Price	Amount Paid	Latest Bid	1991	Stock	Closing Price	+ or -	Net Div	Time to Maturity	Yield Rate
100	100	100	100	British Airways	100	0	2.5	1.8	12.9
100	100	100	100	British Telecom	100	0	2.5	1.8	12.9
100	100	100	100	British Petroleum	100	0	2.5	1.8	12.9
100	100	100	100	British Gas	100	0	2.5	1.8	12.9
100	100	100	100	British Steel	100	0	2.5	1.8	12.9

TRADITIONAL OPTIONS

First Dealings	Apr. 22	For rate indications see end of London Share Service
Last Dealings	May 3	Call: Budgens, Caird, Hanson
Last Declarations	July 25	Wm. Premier, Puts: Brent Walker
For settlement	Aug. 5	Put & Call: Emms, Spenshaw

Fall to loss
and rights
at Porth

AT THE same time that it announced a fall in loss in 1990, Porth Group unveiled plans for a rights issue to raise about £3.5m, net of expenses, and made public the appointment of Sir Michael Edwards as non-executive chairman.

In the year to December 31 this consumer products company dropped into losses of £853,000 (profits £925,000) on turnover down slightly at £21.7m (£21.3m). The company is omitting its final dividend, leaving the total for the year at 0.5p (4.5p).

Interest payable rose to £1.31m (£980,000) and, after a higher tax charge of £227,000 (£15,000), losses per share came out at 7p (earnings 5.5p).

The company said that although it kept within its overdraft limits "during this difficult period", its principal bankers were unwilling to agree renewed facilities unless the group had an injection of capital. Consequently Porth is issuing 61.41m new ordinary shares on a 4-for-1 basis to raise £2.5m to reduce bank borrowings and aim to provide extra working capital.

Fractional rise at
Clayton Son & Co

Clayton Son & Co, which makes bulk storage, pressure vessels, fabrications, pipes, presses and machinery, reported a fractional increase in pre-tax profits for 1990 - from £540,000 to £543,000.

Turnover rose to £17.41m (£15.98m) but net interest payable worked out at £42,000 (£11,000 receivable), though the share of losses from associated undertakings was down at £27,000 (£119,000). After tax of

£194,000 (£221,000), earnings emerged at 13.8p (12.6p) per share. The final dividend is unchanged at 9.3p for an increased total of 11.8p (11.5p).

Losses deepen to
£0.2m at Ifico

Ifico, the insurance broker, saw its pre-tax losses deepen from £51,000 to £244,000 in the six months to December 31. Losses per share rose from 0.09p to 0.50p and again there is no interim dividend.

The company said that the severe downturn in the motor industry and the extreme winter conditions affected the performance of MBIA, the extended rewriter was in division. A management buy-out offer has been received for FMW Group.

Downiebrae
progresses

Profits before tax of Downiebrae Holdings, a steel profile and pipe flange manufacturer, advanced from £542,890 to £633,693 for the year to end-December.

Turnover was little changed at £1.5m (£1.48m). Tax accounted for £78,764 (£156,027). A proposed dividend of 1p (0.5p) is being paid from earnings of 8.19p (2.21p) per share.

Continuing activities
buoy Dean & Bowes

Dean & Bowes Group reported lower pre-tax profits of £2.68m for 1990, against £2.85m. However, on continuing activities the result was £2.88m compared with £1.06m.

The company, which refurbishes leisure properties, said that inquiries, quotations and orders were significantly higher than at the same time last year and the present order book covered 60 per cent of the expected turnover for the year.

NEWS DIGEST



Sir Michael Porth's newly appointed chairman

Turnover was £48.81m (£36.72m) of which £34.83m (£14.34m) related to continuing activities. Earnings per share came out at 10.5p (14.2p) and the directors are proposing a maintained final dividend of 3.25p making an unchanged total of 9p. On a pro forma basis earnings for continuing activities were 13p (6.2p).

NM Rothschild to
become BT adviser

NM Rothschild has been appointed by BT to act as its financial adviser in the sale of the Government's shares in British Telecommunications. The bank was recently runner-up to SG Warburg to act as the Government's lead adviser in the sale.

Investors Capital
assets improve

Net asset value per share of the Investors Capital Trust stood at 113.9p at March 31, an improvement of 5.5 per cent on the 108p standing 12 months earlier.

Available earnings for the six months to end-March totalled £8.21m (£5.83m), equal to 2.51p (2.37p) per share. A

second interim dividend of 1.25p (1.3p) makes 2.5p (2.37p) to date.

Br Assets Trust net
asset value rises

British Assets Trust, investment trust, had a net asset value of 92.2p per share at March 31, 1991 compared with 86.6p a year earlier.

Total revenue for the six months to end-March was slightly down at £16.06m (£16.77m) and net revenue came through at £5.05m against £8.17m for earnings per share of 2.07p (2.1p).

A second quarterly dividend of 1p (0.95p) is declared to make 2p (1.87p) for the half.

Scot Met Prop
falls to £2.72m

Sharply higher interest charges at Scottish Metropolitan Property in the six months to February

ECONOMIC DIARY

TODAY: Mr John Major, prime minister, holds health service summit at Chequers, Mr Toshiki Kaifu, Japanese prime minister, visits Malaysia at the start of south east Asian tour (until April 28).

TOMORROW: Group of Seven industrial nations meets in Washington. Defence ministers from five nations will meet in Kuala Lumpur for a joint naval exercise of the Five Power Defence Arrangement (FPDA); ministers from Australia, Britain, Malaysia, New Zealand and Singapore will reaffirm their commitment to the 20-year-old pact which provides a security umbrella for the Malaysia-Singapore region.

MONDAY: US single family home sales (March); personal income (March). Financial Times holds conference "World pulp and paper" at the Hotel Inter-Continental in London. UN General Assembly resumes for one-week session devoted mainly to procedural issues. Zairean National political conference due to start in Kinshasa.

TUESDAY: London sterling certificates of deposit (March). Monetary statistics (including bank and building society balance sheets) (March). Bill turnover statistics (March). Sterling commercial paper (March). CBI industrial trends survey (March). New vehicle registrations (March). US employment cost index (first quarter); collective bargaining (first quarter). Mr Peter Brooke, Northern Ireland Secretary, opens all-party talks in Belfast on the future of the province.

WEDNESDAY: Overseas travel and tourism (January/February). Advance energy statistics (March). Bricks and cement production and deliveries (first quarter-provisional). US leading indicators for March. Mr Douglas Hurd, foreign secretary, starts visit to Kuwait and other Middle Eastern countries.

THURSDAY: UK official reserves (April). UK local elections throughout England and Wales, excluding London. The two-day 11th Japan-Australia ministerial committee meeting, held every two years, opens in Canberra.

FRIDAY: Cyclical indicators for the UK economy (April).

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS Friday April 26 1991

Figures in parentheses show number of stocks per section

Index No.	Day's Change	Est. Yield (%)	Gross Div. Yield (%)	Est. P/E Ratio	Index No.	Day's Change	Est. Yield (%)	Gross Div. Yield (%)	Est. P/E Ratio
1 CAPITAL GROUPS (187)	840.49	-0.2	11.32	5.76	10.84	11.55	842.48	947.17	854.08
2 Building Materials (24)	2073.12	-0.7	10.50	11.27	8.18	1061.02	2074.34	1078.07	999.14
3 Contracting (31)	1319.20	-1.4	10.71	6.09	12.08	21.06	1336.47	1346.10	1364.85
4 Electronics (10)	2327.22	+0.2	11.30	5.75	11.27	40.46	2322.95	2339.41	2364.94
5 Engineering (26)	1800.06	-0.1	8.70	4.95	15.32	3.31	1801.73	1806.69	1812.24
6 Engineering-Aerospace (8)	442.76	-0.1	10.78	5.66	7.62	8.86	447.09	451.99	455.19
7 Engineering-General (17)	440.23	-0.3	12.46	5.84	9.64	7.96	438.53	452.22	459.01
8 Metals and Metal Forming (8)	463.65	-0.8	19.67	7.44	6.27	0.59	467.20	472.14	478.04
9 Motors (13)	343.67	+0.0	12.46	6.95	9.48	9.45	340.36	347.21	349.82
10 Other Industrial Materials (28)	1505.85	+0.5	9.35	5.40	12.61	28.99	1498.28	1510.33	1524.16
11 Other Industrial Materials (28)	1505.85	+0.5	9.35	5.40	12.61	28.99	1498.28	1510.33	1524.16
12 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
13 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
14 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
15 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
16 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
17 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
18 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
19 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
20 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
21 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
22 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
23 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
24 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
25 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
26 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
27 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
28 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
29 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
30 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
31 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
32 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
33 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
34 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
35 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
36 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
37 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
38 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
39 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
40 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
41 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
42 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
43 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
44 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
45 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
46 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
47 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
48 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
49 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
50 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
51 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
52 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
53 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
54 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
55 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
56 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
57 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
58 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
59 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
60 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
61 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
62 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
63 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
64 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
65 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
66 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
67 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
68 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
69 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
70 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
71 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
72 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
73 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
74 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
75 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
76 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
77 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
78 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
79 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
80 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
81 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
82 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
83 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
84 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
85 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
86 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
87 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
88 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
89 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
90 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
91 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
92 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
93 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
94 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
95 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
96 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
97 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
98 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
99 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456.44
100 Foodstuffs (24)	1440.78	-0.1	8.43	3.71	14.91	11.93	1445.80	1449.17	1456

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar firmer ahead of G7

THE DOLLAR finished towards the top of the day's range in Europe yesterday, boosted by hopes of a US economic revival and by a higher than expected inflationary indicator. This could deter the Federal Reserve from easing its monetary stance.

Trading was subdued ahead of this weekend's meeting of the Group of Seven leading industrial nations in Washington. Dealers believe that the G7 will have difficulty agreeing on interest rate policy, at a time when the US is pushing for lower rates, to stimulate world growth, while Germany is struggling to solve economic problems caused by unification and to support a weak D-Mark.

Nevertheless, the market was cautious in case the meeting arrives at new measures to allow any further advance by the dollar.

Hopes of an economic revival in the US improved after Mr Michael Darity, US

commerce undersecretary, said the recession is expected to reach a trough and give way to a recovery during the present quarter.

It was announced yesterday that first quarter gross national product fell by 2.8 per cent, compared with 1.8 per cent in the fourth quarter of last year.

This was a slightly sharper fall than expected, but more important was placed on news that the implicit price deflator, an indication of US inflation, rose at an annual rate of 5.6 per cent in the first quarter, against 2.6 per cent in last year's fourth quarter.

This may keep the Fed cautious about cutting interest rates, according to dealers, but the figure was largely caused by higher oil prices, ahead of the Gulf war, and this situation has now been reversed. Consumer prices fell in March for the first time in five years. At the London close the dollar advanced to DM1.7645

from DM1.7470, to Y138.15 from Y138.00, to Sfr1.4785 from Sfr1.4685, and to FF9.9200 from FF9.8900. The Bank of England figures the dollar's index rose to 68.8 from 68.7.

Sterling maintained a soft tone, easing from third to fourth strongest in the European exchange rate mechanism, but dealers said Thursday's talk of a crisis was misplaced.

They indicated that the pound will remain vulnerable to selling in the run-up to Thursday's local government elections in England and Wales. This is regarded as an important test of the ruling Conservative Party's popularity, and a possible guide to the timing of a general election.

Starting fell 80 points to S16860. It also declined to DM2.9575 from DM2.9600 and to FF9.9800 from FF9.9775 and to Sfr2.4925 from Sfr2.4825. The pound's index was unchanged at 90.8.

£ IN NEW YORK

	Apr 26	Apr 25	Previous
1 month	1.6990-1.6995	1.6980-1.6985	1.6980-1.6985
3 months	1.6990-1.6995	1.6980-1.6985	1.6980-1.6985
6 months	1.6990-1.6995	1.6980-1.6985	1.6980-1.6985
12 months	1.6990-1.6995	1.6980-1.6985	1.6980-1.6985

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Apr 26	Apr 25	Previous
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8

CURRENCY MOVEMENTS

	Apr 26	Apr 25	Previous
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8

CURRENCY RATES

	Apr 26	Apr 25	Previous
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8

OTHER CURRENCIES

	Apr 26	Apr 25	Previous
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8

FORWARD RATES

	Apr 26	Apr 25	Previous
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8

MONEY MARKETS

Bank lends at 12%

THERE WAS little evidence of downward pressure on London interest rates yesterday. Lack of economic data kept trading quiet, but the Bank of England decided to underline the present rate structure by lending funds to the money market at the bank base rate level of 12 per cent.

Three-month sterling interbank was quoted at 11 1/4-11 1/2 per cent, compared with 11 1/4-11 1/2 per cent on Thursday, while 12-month money was unchanged at 11 1/4-11 1/2 per cent.

Short sterling futures traded

UK clearing bank base lending rate 12 per cent from April 12, 1991

in a narrow range on Liffe, with June delivery remaining above technical support at 88.57. The contract opened unchanged at 88.64 and touched a low of 88.60 before closing at 88.62.

Apart from lending to the market, the authorities also deterred thoughts of lower interest rates by not providing enough assistance to take out the full underlying credit shortage. This left the short end of the money market tight, even though speculation about an early cut in base rates has tended to fade on a weakening of sterling in the ERM and recent disappointing economic

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

	Apr 26	Apr 25	Previous
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8

POUND SPOT - FORWARD AGAINST THE POUND

	Apr 26	Apr 25	Previous
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8

EMS EUROPEAN CURRENCY UNIT RATES

	Apr 26	Apr 25	Previous
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8

EURO CURRENCY INTEREST RATES

	Apr 26	Apr 25	Previous
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8

EXCHANGE CROSS RATES

	Apr 26	Apr 25	Previous
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8

FT LONDON INTERBANK FIXING

	Apr 26	Apr 25	Previous
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8

MONEY RATES

	Apr 26	Apr 25	Previous
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8

LONDON MONEY RATES

	Apr 26	Apr 25	Previous
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8

NEW YORK

	Apr 26	Apr 25	Previous
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8

FINANCIAL FUTURES AND OPTIONS

	Apr 26	Apr 25	Previous
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8

LONDON CLIFFE

	Apr 26	Apr 25	Previous
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8

CHICAGO

	Apr 26	Apr 25	Previous
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8

JAPANESE VIX

	Apr 26	Apr 25	Previous
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8

DEUTSCHE MARK

	Apr 26	Apr 25	Previous
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8

STANDARD & POOR'S 500 INDEX

	Apr 26	Apr 25	Previous
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8

PHILADELPHIA 30 STOCKS

	Apr 26	Apr 25	Previous
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8

30 YEAR 10% INTERNAL FRENCH GOVT. FUTURES

	Apr 26	Apr 25	Previous
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8

CAC-40 FUTURES (MAY) Stock Index

	Apr 26	Apr 25	Previous
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8

EURO 30 STOCKS

	Apr 26	Apr 25	Previous
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8

FT-SE 100 INDEX

	Apr 26	Apr 25	Previous
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8

FT EUROPEAN EXCHANGE

	Apr 26	Apr 25	Previous
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8

FT-SE 100 INDEX

	Apr 26	Apr 25	Previous
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8

FT EUROPEAN EXCHANGE

	Apr 26	Apr 25	Previous
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8

FT-SE 100 INDEX

	Apr 26	Apr 25	Previous
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8

FT EUROPEAN EXCHANGE

	Apr 26	Apr 25	Previous
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8

FT-SE 100 INDEX

	Apr 26	Apr 25	Previous
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8

FT EUROPEAN EXCHANGE

	Apr 26	Apr 25	Previous
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8

FT-SE 100 INDEX

	Apr 26	Apr 25	Previous
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8

MONEY MARKET FUNDS

Money Market

Trust Funds

	Apr 26	Apr 25	Previous
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8

Money Market

Bank Accounts

	Apr 26	Apr 25	Previous
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8
100	90.8	90.8	90.8

LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE

CHANCERY DIVISION

IN THE MATTER OF

DEL MONTE FOODS (UK) LIMITED

- and -

IN THE MATTER OF

THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was presented to the High Court of Justice for the winding up of the above named Company on 20th April 1991.

NOTICE IS HEREBY GIVEN that the said Petition is directed to be heard before the Hon. Mr Justice Millett at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 29th day of May 1991.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an order for the winding up of the said Company should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undersigned Solicitors on payment of the Regulated Charge for the same.

Dated this 24th April 1991

Clifford Chance

Ryder House

Admiralty Square

London EC2V 7LD

AL
UP

Service Acc	2	160.3	160.3	167.0	-0.1	3.7
Growth	1	54.49	56.02	59.99	-0.85	3.0
Smaller Cos.	3	68.97	71.65	78.03	-0.10	3.4
1 Managers & f.	1	33.09	33.44	36.85	-0.14	2.4

1 Court Fund Mngt PLC (1408)F
 Lionfield St, London EC2M 2LB 071-374 2625/4
 Price p. 310.75 170.54 188.04 (1.6)
 3 European 3372.67 3724.7 410.76 (7.19)

Monthly Royal Trust Fund Statement Ltd (3,649,957)									
City Income	0.128	128.92	1.37	15	14.02	71	De		
Income (United)	0.177	177.03	3.94	71	20.55	71	Sh		
& Property	0.157	157.44	87.64	93	37.13	47	De		
Yield	0.107	107.82	113.85	85	23.67	78	Sh		
Sum (Units)	0.394	394.80	362.71	87	78.67	78	De		
Income Mar 15	1.5	151.72	226.87	5	5.92		De		

1989	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.78	189.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FARM MANAGERS LTD (12000F)					
Fontaine St, Manchester M2 2AF					
City & Co	5	61.51	63.51	62.44	+0.02
City	5	67.39	82.39	83.47	+0.14
City & Fidelity Ltd	5	64.21	68.21	72.18	+0.83
City Income	5	64.60	150.60	159.80	+0.10
City National	5	72.43	72.57	78.47	+0.11
City Co's	5	32.87	54.99	56.82	+0.06

The symbols are as follows: (▼) - 0001 to 100 hours; (◆) - 101 to 1400 hours; (◇) - 1401 to 1700 hours; (◇) - 1701 to midnight. Daily closing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

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 Tel: 071 - 270 - 8464.

Country	1980	1981	1982	1983	1984
South Africa	66.86	69.36	71.06	-0.70	-
UK Income	66.86	68.31	50.85	-0.94	-
USA Income	62.95	64.09	67.46	-0.47	-
Japan	62.75	68.19	72.36	-0.26	-
Germany	63.34	63.82	61.16	-1.34	-
Canada	63.86	64.14	67.91	-0.21	-
Australia	47.98	49.56	52.18	-0.22	-
FR	35.14	35.70	37.37	-0.44	-
Italy	61.28	61.36	64.58	-0.81	-
Spain	65.40	65.40	68.84	-0.03	-
Norway	70.13	71.15	74.99	-0.22	-

UK & High Inc Inc	51	34.84	35.54	37.77
UK & High Inc Inc	51	35.13	35.49	41.34
UK & High Inc Inc	51	44.22	44.92	47.78
UK & High Inc Inc	51	35.17	35.74	38.64
UK & High Inc Inc	71	255.2	257.1	314.8
UK & High Inc Inc	71	233.5	236.6	259.1
UK & High Inc Inc	71	22.93	23.08	27.35
UK & High Inc Inc	71	217.5	221.7	240.4
UK & High Inc Inc	54	34.34	34.54	38.76
UK & High Inc Inc	54	40.20	41.34	47.12
UK & High Inc Inc	54	33.84	34.73	38.91

Compiled with the assistance of Lautro \$5

INITIAL CANCELS: Charge made on sale of calls. Used to deliver postage on sale of calls, including cancellation price to interconnectees. The amount is debited to the account of the office. Charge is indicated in the price of prints.

OFFICE CANCELS: Charge made on sale of prints or station calls are bought by the office.

RED PRICE: Also called acceptance price. The price of which calls are not tick by televisor.

CANCELLATION PRICE: The amount of the charge made on the cancellation of the office and last prices is determined by a formula laid down by the government. In practice, most calls are cancelled at the rate of 1000 marks. As a result, the bid price is often not shown the cancellation price. The cancellation price is covered to the cancellation price by the amount of any loss, usually in circumstances in which there is a large amount of cancellation.

TIME: The time shown alongside the last newspaper's time is the time of the last call's cancellation. The time shown alongside the symbol alongside the individual call is the time of the cancellation of the call. The symbols are as follows: (C) - CANCELS 1000 MARKS (1000) - 1000 to 10000 MARKS (10000) - 10000 to 100000 MARKS (100000) - 100000 to 1000000 MARKS (1000000) - 1000000 to 10000000 MARKS (10000000) - 10000000 to 100000000 MARKS (100000000) - 100000000 to 1000000000 MARKS (1000000000) - 1000000000 to 10000000000 MARKS (10000000000) - 10000000000 to 100000000000 MARKS (100000000000) - 100000000000 to 1000000000000 MARKS (1000000000000) - 1000000000000 to 10000000000000 MARKS (10000000000000) - 10000000000000 to 100000000000000 MARKS (100000000000000) - 100000000000000 to 1000000000000000 MARKS (1000000000000000) - 1000000000000000 to 10000000000000000 MARKS (10000000000000000) - 10000000000000000 to 100000000000000000 MARKS (100000000000000000) - 100000000000000000 to 1000000000000000000 MARKS (1000000000000000000) - 1000000000000000000 to 10000000000000000000 MARKS (10000000000000000000) - 10000000000000000000 to 100000000000000000000 MARKS (100000000000000000000) - 100000000000000000000 to 1000000000000000000000 MARKS (1000000000000000000000) - 1000000000000000000000 to 10000000000000000000000 MARKS (10000000000000000000000) - 10000000000000000000000 to 100000000000000000000000 MARKS (100000000000000000000000) - 100000000000000000000000 to 1000000000000000000000000 MARKS (1000000000000000000000000) - 1000000000000000000000000 to 10000000000000000000000000 MARKS (10000000000000000000000000) - 10000000000000000000000000 to 100000000000000000000000000 MARKS (100000000000000000000000000) - 100000000000000000000000000 to 1000000000000000000000000000 MARKS (1000000000000000000000000000) - 1000000000000000000000000000 to 10000000000000000000000000000 MARKS (10000000000000000000000000000) - 10000000000000000000000000000 to 100000000000000000000000000000 MARKS (100000000000000000000000000000) - 100000000000000000000000000000 to 1000000000000000000000000000000 MARKS (1000000000000000000000000000000) - 1000000000000000000000000000000 to 10000000000000000000000000000000 MARKS (10000000000000000000000000000000) - 10000000000000000000000000000000 to 100000000000000000000000000000000 MARKS (100000000000000000000000000000000) - 100000000000000000000000000000000 to 1000000000000000000000000000000000 MARKS (1000000000000000000000000000000000) - 1000000000000000000000000000000000 to 10000000000000000000000000000000000 MARKS (10000000000000000000000000000000000) - 10000000000000000000000000000000000 to 100000000000000000000000000000000000 MARKS (100000000000000000000000000000000000) - 100000000000000000000000000000000000 to 1000000000000000000000000000000000000 MARKS (1000000000000000000000000000000000000) - 1000000000000000000000000000000000000 to 10000000000000000000000000000000000000 MARKS (10000000000000000000000000000000000000) - 10000000000000000000000000000000000000 to 100000000000000000000000000000000000000 MARKS (100000000000000000000000000000000000000) - 100000000000000000000000000000000000000 to 1000000000000000000000000000000000000000 MARKS (1000000000000000000000000000000000000000) - 1000000000000000000000000000000000000000 to 100 MARKS (100) - 100 to 1000 MARKS (1000) - 1000 to 100 MARKS (100) - 100 to 1000 MARKS (1000) - 1000 to 100 MARKS (100) - 100 to 1000 MARKS (1000) - 1000 to 100 MARKS (100) - 100 to 1000 MARKS (1000)

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Amsterdam forges ahead on the stronger dollar

“From a historical point of view, share prices in Amsterdam are certainly not cheap, although they are still not expensive compared with abroad,” he says. He adds that because part of the recent rise was motivated by expectations of lower interest rates in the second half of 1991, share prices could fall later in the year if the forecast decline in interest rates does not emerge.

Ms Nora Coers, an accountant at stockbrokers Theo-

to be little room for further major rises, adding that a correction, if it comes, could send the index down 4 to 6% or lower. Another cause for concern is the fact that many Dutch companies — currently presenting their 1990 annual reports — are being reluctant to make profit predictions for 1991 because of the uncertainties ahead.

With only the firm dollar to sustain it in the short-term, Amsterdam's recovery, he says, can be explained in part also by two long-term factors which provide underlying support to Dutch share prices, according to Dutch and international investors who, traditionally, have held only small share portfolios compared with their Anglo-Saxon counterparts are

gradually expanding their share of the market.

Because they do not have the same currency considerations as foreign institutions, Dutch pension funds and insurers tend to buy and hold on to their share investments. Their perspective is more long-term than that of foreign buyers, helping to explain the Dutch presence in many of the key companies of more cyclical companies such as Hogenvoot and DAF. Both companies expect a difficult 1991 before seeing an improvement later in 1992.

Another factor lending support is the prospect of a gradual removal of the tax advantages of defense contracts awarded by companies to ward off hostile bidders. These defenses, which are frequently blamed for low Dutch price/earning ratios compared with other markets, are likely to be curbed in the future by new European Com-

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MANAGEMENT CONSULTANCY

The FT proposes to publish this survey on
May 15 1991.

It will be of particular interest to the 130,000 directors and managers who read the FT daily. If you want to reach this important audience, call Sara Mason on 071 873 3349 or fax 071 873 3064.

Source: BMRC 1990/RSL (Mon-Fri).

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FINANCIAL TIMES

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Main rail union decides to ballot members while Aslef talks go to arbitration

British Rail strikes loom over 7% offer

By John Gapper, Labour Editor

THE THREAT of a series of national rail strikes similar to those two years ago grew yesterday when leaders of the Rail, Maritime and Transport Union (RMT) decided to ballot members in British Rail over a 7 per cent pay offer.

At the same time, BR accepted a request from the Aslef rail drivers' union to go to arbitration. The unions split over their tactics in spite of efforts by their leaders to reach a common strategy in opposing the BR offer.

The RMT's national executive decided to hold an industrial action ballot of the union's 60,000 members in BR. Leaders of the union will meet next week to decide the timing and form of action, but are likely to consider 24-hour strikes.

Aslef, which represents about 15,000 BR train drivers, asked BR to accept arbitration at the Railway Staffs National Tribunal. The three-person tri-

bunal recommends a settlement which has been largely accepted in the past.

Although arbitration could provide a means of settling the dispute, any ruling would not be binding on the RMT. The union said it had rejected arbitration because BR had not met recommended awards in full in the past.

The dispute coincides with one at London Underground over 1,000 proposed job cuts. The RMT is expected to announce on Monday that its 12,000 members on London Underground have voted for 24-hour strikes on that issue.

The simultaneous disputes on BR and London echo disruption in the summer of 1989 when there was a series of one-day strikes on both networks. BR then raised a 7 per cent offer to 8.8 per cent after an arbitration award from the tribunal.

BR said yesterday that it was glad Aslef had "taken a

responsible course" and would not disrupt services. It said it was "disappointed" the RMT had decided to ballot members in spite of knowing that Aslef was seeking arbitration.

The third union which has rejected the BR 7 per cent offer, the TSSA white collar union, will meet on Tuesday to discuss what action it will take. TSSA members have already voted in favour of industrial action over London Underground cuts.

Mr Derrick Fullick, Aslef general secretary, said the Aslef executive had decided to seek arbitration "because we could have come in for criticism if we had not".

BR raised an initial 6.5 per cent pay offer earlier this week, but said it could not afford more money. The board's external financing limit has been raised by £200m because of a fall in revenue.

Bank staff given 5.5%, Page 4



Derrick Fullick: came under pressure to seek arbitration

Higher band considered for council tax

By Ralph Atkins

THE GOVERNMENT acknowledged yesterday that it may make changes to elements of its proposed council tax which could lead to higher bills for the wealthiest households.

The Department of the Environment has asked valuation officers at the Inland Revenue to look at extending the number of bands from seven to nine - including an extra category for properties worth more than £200,000.

There may also be relief for the least wealthy families.

Mr Michael Heseltine, environment secretary, last night confirmed the statistical exercise was taking place but said it would be wrong to assume it was "an instruction to ministers" to change the seven-band system.

At the same time, officials confirmed that Mr Heseltine is to review how the system will work for the 5,500 residents in the City of London.

That could mean changes to take account of the City's small population and high

property values.

The disclosures - just four days after Mr Heseltine published his proposals - followed the publication by the Labour party of leaked documents from the National Valuation Office.

These set out details of a valuation exercise, planned for completion by May 10, across England and Wales.

Whitehall officials insist a system with seven bands remains the government's "preferred option" but admit

that changes could follow the current consultation exercise promised by Mr Heseltine.

Mr David Blunkett, Labour's local government spokesman, said the government's "hidden agenda" suggested "they need a fallback position because they expect the existing proposal to be attacked for its essential unfairness".

According to the leaked documents, valuation officers have been asked to look at a system with a new band for properties in England worth

up to £30,000. They also envisage a band for properties worth £200,000 or more.

That would insert another band above the £160,000 or more upper band set out on Tuesday.

Mr Blunkett said valuation officers had been asked to conduct the survey in complete secrecy, keeping no records and making no contact with the occupiers of the properties being valued.

Local tax debate, Page 4

Fraud office probes lending scheme

By David Barchard

THE Serious Fraud Office is investigating the possible loss of up to £20m on loans made by banks and mortgage lenders through Castlegate Group, a consumer finance company based in Reading, Berkshire.

The company went into creditors' voluntary liquidation last December.

National Home Loans, the mortgage company, said yesterday it had written off £5.5m in funds provided to Castlegate for second mortgages and consumer finance.

Other lenders involved

include National Westminster Bank and an unidentified Scottish bank which is believed to have lent more than £10m through Castlegate.

Mr Kevin Milner, chief executive of National Home Loans, declined to give details of how his company came to lose money through Castlegate.

"We have been advised by the Serious Fraud Office not to discuss the matter," he said.

Mr Michael Radford, senior partner at Radford, Sons and

Co, the Southampton firm acting as liquidator for Castlegate, said: "Things are an awful mess. Nobody has got any idea at all of the overall position of the group. One can do the figures until the cows come home and reach different conclusions each time."

Mr Radford said his work as liquidator had been hampered by the fact that the police had removed most of the group's records.

Castlegate offered consumer finance and guaranteed-return investments.

It told companies that participated in its lending schemes that all advances to borrowers were fully secured by mortgages on homes.

The schemes broke down when valuations on the properties proved to be inflated and four small companies working with Castlegate were forced into administrative receivership during October and November.

That triggered Castlegate's eventual collapse.

NHL results, Page 8

Rolls-Royce and BMW venture to develop aero engines

By Neil Buckley

BMW Rolls-Royce, the recently founded joint venture, plans to spend £100m (£33m) by 1993 developing a family of aircraft engines aimed at the regional airliner market, and may build a factory in eastern Germany.

Mr Albert Schneider, chairman of BMWRR, said yesterday a new plant - accounting for part of the DMBn investment - would be built to manufacture the engines for the core prototype, the BR700, is due to be developed by 1993.

A decision on the site would be taken by the middle of this year, and BMWRR was likely to choose eastern Germany. Rolls-Royce is thought initially to have favoured a British site.

BMWRR has been negotiating with Trehand, the German privatisation agency, to build an aerospace factory in the state of Brandenburg, which surrounds the city of Berlin.

Mr Schneider said: "The launch of the BR700 core is a major step for the new joint venture company and will help strengthen the European aero-engine industry." The new factory will provide about 1,000 jobs.

BMWRR, founded as an autonomous joint venture last July, has one factory at Oberursel, near Frankfurt, producing small aircraft engines. This will be expanded and also produce parts for the new engines.

Mr Schneider said the company aims for annual sales of DMBn by the year 2000, with the new engines accounting for about 60 per cent of sales.

It faces stiff competition in the emerging regional airline market, estimated to be worth about \$50m (£29m) in the next 20 years - from Daimler Benz, which has linked its jet engine subsidiary Motoren- und Turbinen Union with Pratt and Whitney, the jet engine unit of United Technologies Corporation, the US high technology company.

Mr Schneider said he was relying on BMWRR's co-operation with Rolls-Royce, which holds about 70 per cent of the market for regional airline engines.

Japan faces trade sanctions by US

By Nancy Dunne in Washington

THE US administration yesterday announced trade sanctions against Japan for its failure to open its domestic construction market to foreign contractors, architects and engineers.

A spokesman for Mrs Carla Hills, the US trade representative, said the administration would limit Japanese involvement in all areas of US government-funded construction projects.

However, the sanctions will not come into effect for 30

days, during which time the Japanese will have the opportunity to come to the bargaining table with an acceptable proposal.

Japanese companies have been earning an average of about \$2.4bn a year (£1.42bn) for projects in the US market.

US companies have won only \$200m in contracts in the Japanese market since 1988, according to Senator Frank Murkowski, the leading Congressional proponent of

action in the construction dispute.

In 1989, Mrs Hills announced an official finding of unfair Japanese trade practices in the public construction market. But she delayed sanctions on the grounds that there had been some progress.

Last year, Senator Murkowski succeeded in getting Congress to require Mrs Hills to impose sanctions if the Japanese market continued to be closed.

However, Mrs Hills yesterday

was prepared to order even wider retaliation than that ordered by Congress.

The US has sought to expand the 1988 Major Projects Agreement, under which Japan promised to improve US company access to 14 big construction projects, worth \$18bn.

This year, US negotiators asked for access to all big construction projects before backing down and agreeing to a finite, but extended list.

Mr Peter Griffiths, the hospital's chief executive, said his ambition was for Guy's to have the best-paid staff in the NHS. But this could be achieved only by having fewer employees and improved efficiency. He was hopeful that the health service unions would negotiate on the proposals.

NHS Continued from Page 1

programme to save £7m. The issue was raised in the Commons when Health Minister, demanding a government statement.

"The government has said that if Guy's opted out it would solve its financial problems but they have only got worse. Now it's time for the government to step in and solve a problem of their own creation," she said.

Renewed controversy over funding so early in the life of the reformed NHS will be unwelcome for the government - particularly as the most senior managers at Guy's were still recently working in the Department of Health on the introduction of the reforms.

But Mr William Waldegrave, the health secretary, said in an independent radio interview that decisions like those at

Guy's were for managers to make. Unless hospitals made savings in some areas they would not have money to invest in new things.

The BMA said the need for cutbacks at Guy's showed that the hospital had been unable to negotiate the funding contracts on which its application for self-governing status - under which it manages its own day-to-day affairs - was based, leaving it with a serious shortfall in income.

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An uneasy calm in London

In a faint but detectable way, the London equity market is showing symptoms of disquiet. The FT-SE is a mere 3 per cent off its record of three weeks ago and turnover is only modestly below its recent minimum of £1bn a day. But there are at least three things on the market's mind: political risk, the draining effect of rights issues and the worry that the recession may be proving longer and deeper than is in the price.

There may be significant that Nomura, one of the most inveterate bulls of the London market, is more sanguine than most on the economy and still draws a bearish conclusion: consumer confidence will recover sharply, the balance of payments will collapse and interest rates will be jacked up again to protect the pound. That apart, there is no denying that the market is showing ominous signs of churning in the early part of the year, the recovery sectors such as contracting and construction have outperformed defensive sectors like brewers and food retailers. In the past month, that has gone into reverse.

There is also a dangerous complacency which says that whether or not the market goes higher, it is not about to fall. But with interest rates still at 12 per cent, the onus is on the fund manager to prove that equities will do better than cash. A serious setback in equities remains hard to foresee. It could still be a good time for hedging bets.

Guinness Mahon

Guinness Mahon must be grateful that the Bank of Yokohama's pockets are as deep as its corporate strategy appears opaque. Otherwise, Guinness Mahon would presumably be put up for sale or simply wound down. Its pre-rights net assets of £44m could not support a future in banking. Adding £49m of rights proceeds by way of a £30m bridging loan will prolong the agony. Nevertheless, it will be something of a one-off if Guinness Mahon emerges in a few years as a successful merchant bank. The need for so much new capital only emphasises the extent of the Bank of Yokohama's gamble when it bought the bank in 1989. It is standing by its subsidiary on the grounds that having gone this far, it is worth keeping a toehold provided that losses and management are better controlled. How it will feel a year from now is another matter.

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A decision on the site would be taken by the middle of this year, and BMWRR was likely to choose eastern Germany. Rolls-Royce is thought initially to have favoured a British site.

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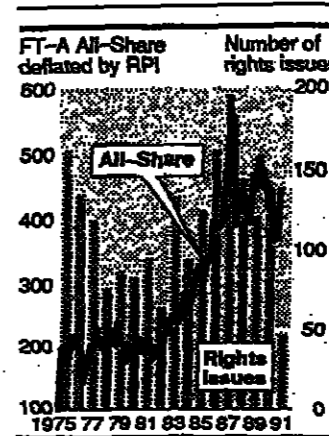
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FT-SE Index: 2,471.3 (-10.8)



As part of the rescue, Guinness Mahon will curtail its lending activity in favour of corporate finance and fee income from asset management and securities trading. This raises the question of why it needs much capital at all. The latter activities contributed £22m profit in the last full year and made up only a small part of this week's £35m interim losses. Given the volatility of securities trading income in particular, any return to dividend payment is likely to be a distant event. The bank has few minority shareholders. As the Bank of Yokohama doubtless foresees, they have little incentive to take up their rights.

Rights issues

The sharpness of the market reaction to rights issues from Alfred McAlpine yesterday and YJ Lovell the day before suggests that investors are finally tiring of cash calls from the construction sector. This is scarcely surprising, given that a third of the £1bn raised in rights issues in the year to date has come in construction and property. This, in turn, raises the question of what is to be done with the money. Much depends on how far one believes in the standard tale of imminent recovery and consequent opportunities, as opposed to the suspicion that companies are simply repaying their balance sheets while the going is good. If the former, the price of building land and property is about to be bid up by institutional cash at one remove. If the latter, the banks will get their money back and will doubtless think twice about advancing fresh loans to those sectors for some time.

One good argument for the latter theory is the illogicality of companies using shareholder's

cash to buy land and property if they genuinely believe the upturn at hand. The time to rely on equity is at the peak of the cycle, when financial flexibility is going to be needed in the downturn. It is precisely at the trough that companies should be gearing up again on shareholders' behalf. But the question is one of a difference in timing. It is in the nature of the equity market to rise well ahead of recovery. If companies grab the cash accordingly, it need not follow that they agree with the market's prognosis.

Carrying this argument to its conclusion might suggest a temporary difficulty for the market as a whole. In itself, there is nothing wrong with the market running ahead of the game. The difficulty is rather to do with institutional cash flow. The obvious way to replace the cash drawn out of institutional coffers by rights issues is for companies to make cash bids. If investors are confident enough to advance the cash, companies are not yet confident enough to spend it on takeovers. Rumours of the big bid from such as BTR have been around for some time. It is getting to the point where the market needs cash on the table.

Water shares

Even after yesterday's bounce, the package of water shares has had a miserable run of late. Since early February, it has underperformed the market by 12 per cent. Ahead of next week's local elections, the institutions have been increasingly preoccupied with political risks for the sector. July's break-up of the package for trading purposes has persuaded some investors to move into their preferred individual water company shares.

But the downward pressure may have gone too far. The package is on a prospective yield of well over 6 per cent. At Thursday's low, shares in South-West Water were yielding almost 9 per cent. That looks more than ample compensation for a long-term political threat from a Labour party which regards the curbing of other privatised companies as a higher priority. As for the technical threat from the break-up of the package, there has been less divergence between the companies than one might expect. The water companies' robust profitability and dividend growth should be familiar enough to investors by now. They are still not fully reflected in the price.

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CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dms)	
Metallgesellschaft	533 + 6
Sud Chemie	625 + 20
Peugeot	586 - 10
OLV	622 - 19
Lahmeyer	980 - 13
Springer Asset	693 - 27
NEW YORK (\$)	
IBM	23 + 1/2
Pac. Mithras	30 1/2 + 1/4
Falla	44 1/2 + 1 1/4
Astra	114 1/2 + 1/4
Harcourt B.J.	11 - 1/4
Mobil	59 1/4 + 1/4

New York prices at 12.30.

LONDON (Pence)

Caixa	77 + 4
Clarke (T)	140 + 12
Holl (Joseph)	58 + 6
Holl (Joseph)	1066 + 59
Jays	220 + 13
Liberty	545 + 30
Micro Focus	1630 + 87
Murdoch (A&J)	128 + 9 1/2
Thames Water	205 + 6

WORLDWIDE WEATHER

UK today: after a misty start in most areas it will be dry with sunny spells. In southern England and south Wales it will be sunny but with the chance of showers, some heavy. Outlook mainly dry in most areas on Sunday but rain reaching N Ireland will spread to the east on Monday.	
Atlantic	F 10 C 10
Algeria	F 18 C 18
Athens	F 20 C 20
Bombay	F 28 C 28
Buenos Aires	F 20 C 20
Calcutta	F 28 C 28
Cairo	F 20 C 20
Chongqing	F 18 C 18
Colon	F 28 C 28
Hong Kong	F 28 C 28
London	F 10 C 10
Lyons	F 10 C 10
Manila	F 28 C 28
Medan	F 28 C 28
Paris	F 10 C 10
Shanghai	F 18 C 18
Singapore	F 28 C 28
Tokyo	F 18 C 18

Temperatures at 14.00 yesterday. 1. Night. 2. Day. 3. Cloudy. 4. Drizzle. 5. Fair. 6. Fog. 7. Rain. 8. Snow. 9. Storm. 10. Thunder.

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April 20 1991

Weekend FT

SECTION II Weekend April 27/April 28 1991

Love and death in the city of lost hopes

YOU GET USED TO the scrutiny after a while, though faces and lenses constantly watching never seem normal. "The guards are for your protection," an official explained shortly after I arrived. I am not sure what I, a journalist, expected of Beijing in the early summer of 1989, but once past the ugly buildings, the huge motorways and the vast expanse of Tiananmen Square, I found a spirit of remarkable buoyancy. With the reform process in full swing, there was a sense of expectation among the young.

A week after arriving, I found myself sitting on the cluttered floor of a tiny dormitory in a co-ed art college, talking about Western music with students I had met at an exhibition. They were not afraid to speak out. There were predictions of China loosening up, becoming richer and freer and turning its back on the strictures of the past.

As the autumn of 1988 turned into the winter of 1989, Beijing was full of hope and fun. Rock and roll parties were staged in Ritan Park and many intellectuals, emboldened by the moderate policies of Zhao Ziyang, the Communist Party boss, began to agitate for the release of political prisoners, in particular the freeing of Wei Jingsheng, who was going insane while serving 15 years in prison for his part in the "Democracy Wall" movement in 1979.

Writers and academics gathered in J's, a tiny bar favoured by Beijing's in-crowd, to frame a petition calling for Wei's release. Their action was to set the scene for seven weeks of student demonstrations and the eventual storming of Beijing by tanks and heavily-armed troops who slaughtered an estimated 1,000 people.

But for me there was a personal sequel, as important in its own way as the Big Event. The woman I was to marry was one of the hundreds of thousands of students who gathered peacefully in Tiananmen Square in those heady days of spring 1989.

Jin Yan, a musician, with no real knowledge of politics like so many other young people, joined in the festival atmosphere, innocent of the past and with no sense of the terrible denouement to come. She was not in the square when the tanks rolled in early on the morning of



June 4 and because she played no active role in the demonstrations she was not on any hit list when the post-massacre purge began.

But that hardly mattered. In the murderous days after June 4, as soldiers totting AK-47s stalked around the city, firing at people on street corners and in their homes and shoving gun barrels in the faces of drinkers in bars, order was turned on its head. To "liberate" the capital, they were going to crush it, and they did, at one stage murdering a handful of young men whose only crime was to be found standing beside the Beijing Hotel.

Some days after soldiers cleared Tiananmen Square I had to run for my life when troops of the Peoples Liberation Army opened fire close to the Beijing Hotel. One man had a revolver put to his head because he did not stop his truck quickly enough at a road block. Children were hit by stray shots and people everywhere were beaten by rifle butts and hauled from their homes into detention.

Attempting to maintain contact with Jin Yan meant a series of nervous, late-night phone calls and anxious meetings in hotel lobbies. We were followed and our conversations, I believe, were monitored.

Even two months later, when apparent order had been restored, our effort simply to marry was enough for her to be treated like a criminal. It was not a political persecution - unless that term is used to cover the humiliation that befalls anyone in China - and I suspect that it had little to do with party order. But under a repressive State apparatus there is no refuge. Everyone is a target.

In this small episode, no-one was beaten, jailed or tortured, but the security forces have many other less obvious means to destroy dignity and hope. In a nation without an independent system of law, just sharing a meal at my apartment was enough for Jin Yan to be taken by the compound security guards - they said for a one hour "interview" - and treated as a criminal.

It was about 10 pm when the two guards demanded that she accompany them to a staff building at one end of the compound, but despite their assurances, by midnight she had still not returned.

Waiting in the August chill, I

nothing to do with it," the crimson-faced guard told Colin Heseltine, the Embassy Minister. "This man is an Australian citizen, but he is engaged to the girl," Heseltine argued. We had no alternative but to wait until Jin Yan was finally released around 3.30 am, after more than five hours of interrogation.

Despite a complaint being lodged there was no apology, nor any explanation. Jin Yan had told her inquisitors of our impending marriage and had been denied. "He'll never marry you," they sneered. "Why are you seeing a foreigner. What do you do together. What does he say?" were among the more polite questions.

In the post-Tiananmen atmosphere any local dealing with a foreigner, especially a "spy", as all correspondents are alleged to be, was regarded as suspicious and presented a chance for humiliation, a favourite pastime of Chinese officials. Yet she had broken no law.

Worse was to come. We were followed by plain clothes security, our car tyres slashed, people close to us were harassed. Finally, in order for us to marry, Jin Yan had to leave her university shortly before she was to graduate.

After a holiday in February 1990,

ity" has not been restored in China. Just because people are not protesting does not mean that they are without grievances. Instead of leaving their critical faculties at the airport, visiting politicians would be well advised to forgo their five-star hotels and sense the frustration in the streets.

In the southern city of Kunming, for example, I glimpsed a piece of theatre that says more about how resentful and alienated people are, and how few options they have, than could ever emerge from a VIP banquet.

A young peasant boy and an office worker had collided on their bicycles and were haggling about who was at fault. There was no solution, just a release of tension and entertainment for the crowd. Remonstrations went on for more than an hour, but no-one was inclined to compromise or to exchange personal details so as to settle differences later.

It seemed a huge and draining waste of time, until I realised that this was a cathartic release and that the office worker's bike was a fancy model which would have cost more to fix than the young peasant could afford. No-one wished to lose face, so they kept traffic waiting while

It is two years since tanks crushed the Beijing rebellion. In the heady days before the uprising Peter Ellingsen fell in love with a young student - but the thugs in China's security forces had other ideas

when I thought it was all over, I had another altercation with those of the compound's guards, led by our red-faced friend. I had driven past the armed police sentry, along the discoloured snow leading into the compound's garage, when the three blocked our way, ignoring signals to move.

They glared and shouted belligerently, saying I was a journalist, not an envoy, and enjoyed no diplomatic privilege. "You want to leave China," the red-faced one bellowed, adding that, married or not, Jin Yan was Chinese and might have problems departing. Their anger was driven partly by the loss of face suffered because we, contrary to their best efforts, were still together. Disregarding the threats we walked away.

At least now we were married and had a way out. For most Chinese the bullying by all levels of authority cannot be avoided. As we sat in our apartment, I sensed a little of what it must be like for the Chinese to live under the state of siege, with no appeal against injustices and no dignity or status, save that conferred by proximity to power.

I double-bolted the door that night, half expecting the security men to attempt a jackbooted entrance. As I looked out on to Chang'an, Beijing's Avenue of Eternal Peace, where eight months before I counted more than 60 tanks crawling along, guns blazing, China, the police state, seemed like a disease crawling across my skin. Despite the lies of Beijing, "stabil-

Turning over the recovery tea-leaves

NOW FOR the tough part. Unemployment is soaring, there is only a very slow and patchy deceleration in factory gate price rises and in pay settlements, and industrial delegations are beginning to arrive in Whitehall pleading for special treatment, if not yet quite threatening a bare knuckle fight.

Fortunately, companies are presenting a slightly more robust face to the stock market. It looks as though the declared fall in industrial profits for 1990 will be no more than about 4 per cent, according to UBS Phillips & Drew, albeit including a 10 per cent drop in the second half-year.

Meantime, dividends declared this year appear to be showing overall a rise of about 5 per cent, rather than the zero which some of the pessimists were predicting back in the depths of the past winter. It suggests that listed companies in general are reasonably happy about their prospects for recovery.

Nevertheless as the economy heads towards its trough the political stakes are being raised. Only now, nearly three years after Nigel Lawson began to push up interest rates, to cope with a temporary "hump" of rising prices, is the government beginning to realise just how hard a task it will be to stuff the inflationary genie back into its bottle. If it isn't hurting it isn't working, somebody once said.

Industrialists like Robert Horton, chairman of BP, are starting to hit back at the gov-



Barry Riley

The stock market may be able to wait a little while for economic recovery, but the politicians will come under heavy pressure if the timetable slips

ernment's failure to control inflation. The government, for its part, might argue that employers could do more to put their own house in order, and that a 12 per cent rate of increase in unit labour costs output might justify a more robust stance on pay, in the boardroom's executive compensation committee as well as on the factory floor.

Still, it has long been common ground between employers and trade unions in the UK that it is more appropriate in hard times to cut jobs rather than pay. In these terms, you could rather cynically point to a record rate of increase in unemployment, at over 100,000 a month, as a demonstration of the improved responsiveness of modern British management.

But from the stock market's point of view there is an uncomfortable paradox: this year's rises in share prices have been celebrating the expected reduction in inflation and the imminent economic recovery, but on the evidence of the reported figures the corporate squeeze may not have been severe enough to have the desired effect. If it doesn't work, there may have to be even more pain.

However, there are different ways of looking at the degree of resilience of profits. Something like two-fifths of the profits of British listed companies are earned by overseas subsidiaries, and although the weakness of the dollar was a problem in 1990 its strength in 1991 (plus 15 per cent against sterling so far) looks like coming to the rescue. As for the

domestic picture, the official statistics show a drop of about 2 per cent in company trading profits last year.

The decline has been more dramatic in terms of the share of national income: by the final quarter of 1990 profits represented only 11 per cent of GDP, down from a 1988 peak of 15.4 per cent.

That is either an indication of how companies are being squeezed, or a hint of the recovery potential. If, as a shareholder, you are confident that your company is going to survive, and is unlikely to dilute your investment excessively by jumping too enthusiastically on to the current rights issue bandwagon, then you are not going to be particularly interested in how far its profits may fall this year.

It is the potential a year or two out that is far more important. That is why earnings downgrades by analysts, which caused so much panic last year, have ceased to be of great concern in 1991.

ICI's first quarter profits, published on Thursday, may have been halved compared with the same period last year, but they were sharply higher than in the fourth quarter, and the share price went up. Somewhere down the road company profits generally are going to rise substantially. But it could take a while.

In 1992 profits only rallied modestly as the economy began to recover from the deep recession of 1980 and 1981, and it was only in 1983 and 1984 that substantial earnings gains were seen.

On that basis we may be a good two years away from a really healthy profits upturn. And it is rather more anticipated in advance today, when the market p/e is 13, than it was in 1981 when the p/e was more like 10 (and the dividend

yield was a percentage point or so higher, too).


It is going to be a nervous summer, as the politicians and industrialists sift through the statistical tea-leaves looking for the recovery which the Treasury's computer has promised us.

This week it began to look as though the upturn may begin in the wrong places. Retail sales jumped in March, and the housing market flickered to life as well, so that building society lending jumped sharply for the month, while bank lending to the corporate sector was dead as a dodo.

Maybe we should not be too concerned about a transient VAT-beating flurry in the shops, but any more persistent consumer-led economic recovery could put serious pressure on the balance of payments, which is running at an annual rate of 5.5% even in the depths of the recession. It was very different in 1981, when there was a balance of payments surplus and sterling was embarrassingly firm.

This time, if consumer demand were to be the main engine of the recovery rather than the Treasury's projected 4% per cent rise in export volumes over the next year, the government would find it impossible to continue its delicate balancing act of edging down interest rates while maintaining sterling in a healthy position in the European Monetary System.

Still, it all gives scope for interesting conversations when those industrial delegations come round for tea.



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THE WEEK IN PERSPECTIVE

FINANCE AND THE FAMILY

London Markets

Ratners reaps rewards of honesty

"TOTAL CRAP" was how Gerald Ratner described his jewellery chain's products in a speech on Tuesday. His address captured the next day's headlines. Indeed, he achieved what may well be a unique feat: getting the conference of the Institute of Directors on to the front page of the *Sun* newspaper.

Ratner's shares rose 10 per cent on the week, a striking testimony to the power of truth in advertising. The rise from 170p a week ago to 187p at yesterday's close - was all the more marked because it came against a gently falling market. (The FT-SE 100 index, which had closed the previous Friday at 2620.1, ended yesterday at 2613.3.)

Perhaps we might expect to see other captains of industry offering similar exaggerated honesty? Sir Allen Shepherd could come clean about the taste of Burger King hamburgers. Rupert Murdoch about the contents of his newspapers, and so on.

Alas, no such outburst of corporate self-deprecation seems likely - not least because Ratner's shares moved despite, rather than because of, Gerald Ratner's comments.

Since their peak in the summer of 1987, Ratner's shares had lost 70 per cent of their value by January 1991, as doubts grew about the company's aggressive expansion by acquisition, capped by the purchase last year of Kay Jewel-

ry, a big US rival. More recently, the market has decided that Ratner has survived the retail crunch in the UK and the US. After this week's excitement - which included some lacklustre annual results - its shares have risen 64 per cent since the middle of January, outperforming the sector by four fifths. They are still half their 1987 value, however.

There is likely to be more excitement to come. UK retailing analysts are off on Tuesday to see Ratner's US operations. Their views on whether Ratner can achieve the same dominance in the US as in the UK will have a more marked influence on his share price than any number of jokes from the chairman.

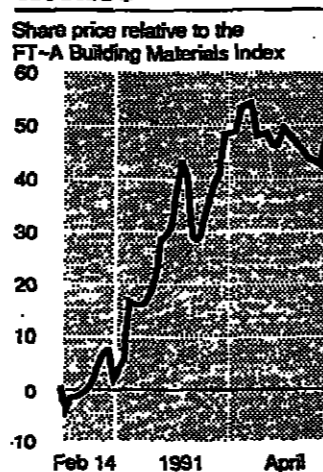
For investors with a wider horizon, the week's highlight came in the foreign exchange market, where there was a further rapid strengthening in the dollar's value against sterling. Since the middle of March the FT-SE index has lost about 1 per cent, but the dollar has risen 10 1/2 per cent against sterling. For the past month at any rate, a bundle of crumpled greenbacks have outperformed the most carefully chosen portfolio of blue chips.

Insecure fund managers could take solace from the thought that the dollar's devaluation against the pound would ease the strains of its inability to devalue much against the D-Mark inside the ERM.

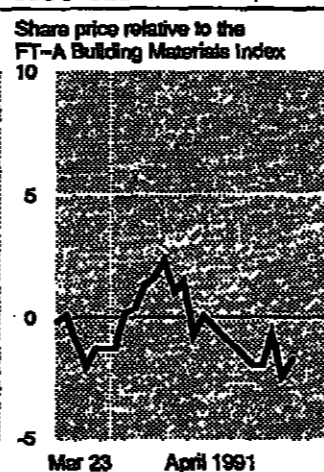
Such reassuring economic selections were otherwise in short supply. ICI, with heavy exposure both to the dollar and the D-Mark, produced results on Thursday that reinforced the market's growing sense that the expected recovery has not yet arrived.

The figures themselves were better than expected - a 53 per cent fall in pre-tax profits on a 12 per cent drop in turnover - but the company said there might still be some way to go before the bottom of the recession was seen in two of its most cyclically sensitive busi-

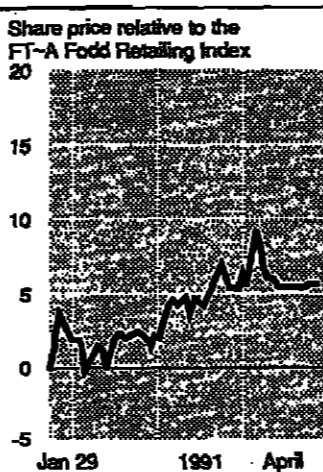
Wickes



Redland



Tesco



nesses, petrochemicals and plastics. ICI shares closed the week at 1080p, down 41p from the previous Friday.

There was a flurry of economic enthusiasm on Tuesday, after Norman Lamont, the Chancellor, held out hopes for a rapid fall in inflation (in a speech to the Institute of Directors that was not reported on the front page of the *Sun*). The FT-SE index briefly rose back above 2,500 on the news, since optimists felt that this might prove a harbinger of lower interest rates. But the enthusiasm did not last, all the signs continued to point, as they have done for some weeks, towards a plateau in interest rates for the moment.

The market's pessimism on this point was unimoved by US President George Bush's heart-felt plea for lower world interest rates, made on television on Thursday. It was also unaffected by the prospect that, at a series of G7, IMF and World Bank meetings starting this weekend, the people responsible for setting world interest rates would all be together in the same room, thus available to be struck by a simultaneous craving for monetary easing.

Such cases of mass hysteria are not unknown, of course. Take the crazed enthusiasm for making and accepting rights issues displayed by otherwise entirely sober finance directors and investors. So far this year, there have been 23.1bn worth of rights issues. In April alone, rights issues have totalled just over 51bn, gobbling up cash at

the rate of 550m a day. They seemed - until the last few days, at any rate - to have little effect on the market. As the chart shows, the biggest rights issues of February and March left the companies concerned performing nicely against their sectors in the weeks that followed.

Still, there were signs this week that for fund managers anyway, the game is less amusing. Taylor Woodrow's £162m rights issue on Tuesday caused a wave of *frustration*. Institutional investors murmured that if the company had really needed the money, it would have made the announcement six weeks before, at the time of its results.

The company's shares did not reflect this view, ending the week at 246p, only 3p down. Later in the week, though, rights issues from YJ Lovell and Alfred MacAlpine got rather worse reactions.

Finance directors, with the giddy insouciance typical of their breed, still seemed determined to go on with the party. At this point in a four-year-old's birthday celebration the wise parent starts putting the glassware away for safety and moving the chair with the wobbly leg behind the sofa. Since the stock market has many of the characteristics of such occasions - including an extraordinary credulity about magic tricks performed with flags of all nations - wise investors might soon be following suit.

Peter Martin

Serious Money

Why Hercule Poirot is, of course, right

By Philip Coggan, Personal Finance Editor

"POIROT," I said, lowering my copy of the financial pages. "I've been thinking of investing in shares. The stock market is close to its all time high at the moment and a fellow at my club gave me a few tips."

The great Belgian detective, who was busy arranging his change in order of coin size, looked up in irritation. "Hastings," he said, "You are not using your little grey cells. Why do you want to buy shares when their price is high? Would you wait to buy one of your vintage cars until it is dear? Shares, like anything else, should be bought when they are cheap. I had to put him right. Poirot thinks he is the authority on every subject but this was an area where I felt that, because of my friends in the City, I had the advantage. 'But my broker is very enthusiastic about the economic recovery in 1992...'"

"Of course he is, Hastings. The markets have anticipated the recovery already. All the good news is in the price."

Miss Lemon, our efficient secretary, to run through the Datastream machine, the return on the All-Share Index between May 1 and September 14...

"The date of this year's St Leger," I said, having recently read the *Sporting Life*.

"Exactly," Hastings. She produced the returns for every year back to 1985. In 20 of those 26 periods, the May-September period produced lower returns than did the remainder of the year. Over the whole period, if you had invested in the All-Share on May 1 and sold on September 14, you would have made a capital return, on

his smile. "So you are not keen on shares at all?"

"You misrepresent me, *mon ami*," said the detective, wandering over to the mirror to check that his moustache was neat and tidy. "Even I, Hercule Poirot, cannot know for certain how shares will move in future. I was just correcting your unscientific reasoning."

He paused to straighten the angle of some papers on his desk. "I have been a very successful stock market investor over the years, Hastings. How else do you think that I, who left the Belgian police force during the First World War, have lived in such style for so long? It was not by investing in vegetable marrow futures."

'Do not rush into the stock market on a whim'

average, of just 0.6 per cent a year. Investing on September 15 and selling on April 30 would have made you an average annual capital gain of 11.8 per cent.

"But why on earth should this be?" I asked.

Poirot took a reflective sip of his *crème de menthe*. "I believe it relates to your English love of *le sport*. Summer comes and you attend Ascot, Henley, Wimbledon..."

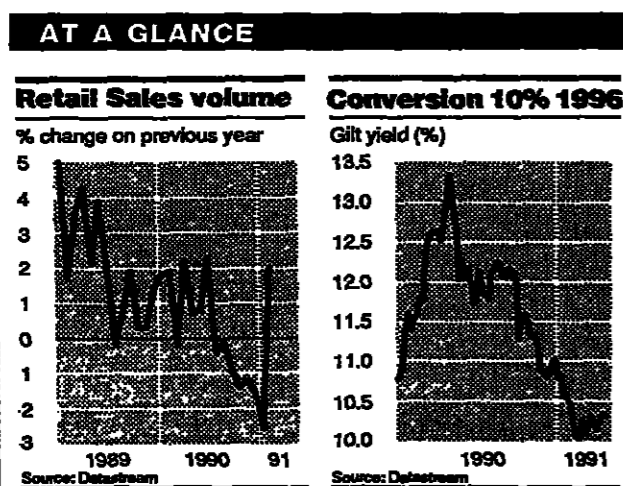
"Lord's," I added.

"I leave the details to you, Hastings. In any case, the man who buys the shares are away from their offices, studying the silly points and the backward short legs. The market drifts and prices fall. So you see, Hastings, you should not be so eager to invest. Like so many private investors, you jump when prices rise. If they fall, you will be disillusioned and sell at the bottom, losing much of your money. Your broker is, as you say, leading you up the garden walk."

The next moment, a pair of Poirot's moustache curlers flew narrowly past my head.

I was too confused to correct

HIGHLIGHTS OF THE WEEK					
	Price	Change	1991	1991	
	YTD	on week	High	Low	
FT-SE 100 Index	2471.3	-48.8	2545.3	2054.8	Economic concerns
Althaus	435	+29	462	155	Brokers' view of All-Share Index
Boat (Henry)	593	+40	593	436	Good results
Geest	339	+15	348	258	Reinforced Central Amer expansion
Gestelver	204	-29	240	192	Brokers cut profit forecasts
Glanz	1105	+25	1148	800	Switching from SmithKline
Ilex Ridge	10	-8	26	10	Possible bid below market price
Lovell (YJ)	143	-57	205	108	£30.5m rights issue
McKeechle	283	-15	303	210	Analysts trim profit forecasts
Reuters	806	-70	906	673	Mixed views on annual meeting
Royal Ice	432	-33	491	357	Brokers downgrade forecasts
SmithKline Behm A	792	-44	843	599	Switching to Glaxo
Vickers	211	-14	245	182.1	Profits warning/falling car sales
Wardle Stores	319	+25	325	204	Presentations to Scottish investors
Water Package Uts	£2955	-55	£3155	£2528	Package ceases trading in July



Retail sales show sharp monthly rise

Retail sales raced upwards in March, according to government figures. This might have been the first sign of the end of the recession, but many analysts thought that it just showed that people were buying early to avoid the rise in VAT at the end of the month.

Last month total sales volume rose by 3.7 per cent, according to provisional estimates. This is the biggest monthly rise since June 1979 - the last time VAT was increased - when sales increased by 6.9 per cent. John Authors

Gilts issue in demand

There was strong demand for the five year gilts which the Bank of England auctioned this week, much to the surprise of many gilt-edged market-makers. In its first auction for nearly three years the Bank of England sold £1.2bn of 10 per cent conversion stock due 1996. The stock is already available in the market, but the Bank of England was keen to improve the liquidity of the five-year stock.

The gilts market had not expected the auction to be such a success, given general concern about possible oversupply. Many economists forecast that the government will have a Public Sector Borrowing Requirement of some £12bn this year and predict that the Bank of England will have to issue about £1bn of new stock each month. Sara Webb

Low-cost pensions firm suspended

Investors interested in the low cost fee-based pensions service, Discount Pensions, offered by independent advisers Campbell Financial Services will be perturbed to hear that the company was this week suspended from doing investment business by Fimbra. The reason for the suspension is technical; the company failed to demonstrate that it had the required financial resources for its category.

The company sprung into prominence when it offered a cheap £199 service to arrange pensions using a Freephone number, at the expense of in-depth advice and on-going service. But this novel move brought a sharp reaction from other advisers, with the police being brought in to deal with abusive telephone calls to the company.

A statement last night from chairman David Cramer stated that the companies had been in discussion with Fimbra over its accounts. These were now being recast to meet Fimbra's requirements. He expected the suspension to be lifted shortly, but meanwhile the Freephone service has been suspended. Since the company is not authorised to handle client's money, investors should have made out any cheques to the life company and so there is no concern over lost money. Eric Short

Bank of Scotland card charges

The Bank of Scotland is introducing an annual charge of £10 on its Classic Visa and Mastercard credit cards. The charge will appear on statements issued after July 5. The bank is softening the blow by reducing the interest rate from 2.2 to 1.9 per cent a month, or 23.4 per cent a year. It is also adding purchase protection insurance and two telephone helplines for home and car owners. Philip Coggan

Private share service launched

The Share Centre, a new share service for private shareholders, has been launched by Gavin Oldham, formerly of Barclayshare. Dealing commissions will be £12.50 on transactions of up to £1,000 in value. Higher values are charged on a sliding scale: the first £2,000, 0.3 per cent; the next £3,000, 0.5 per cent; the following £5,000 and 0.25 per cent for the remainder. Further details of the new service can be obtained from Freephone number: 0800-800008. P.C.

THE White House was forced to issue a denial this week that President George Bush had suffered a heart attack. A spokesman quickly allayed the fears of financial markets by describing the scene in front of him: Bush enjoying a stroll around the White House rose garden.

Anyone looking for similar comforting words on the health of the stock market would have been disappointed. The first full week since the Dow broke the 3,000 barrier proved anything but an enjoyable stroll around a rose garden.

Under the weight of a wave of computerised sell programs and investor profit-taking, the Dow, Standard & Poor's 500 and the Nasdaq composite posted significant losses during the first four days of trading.

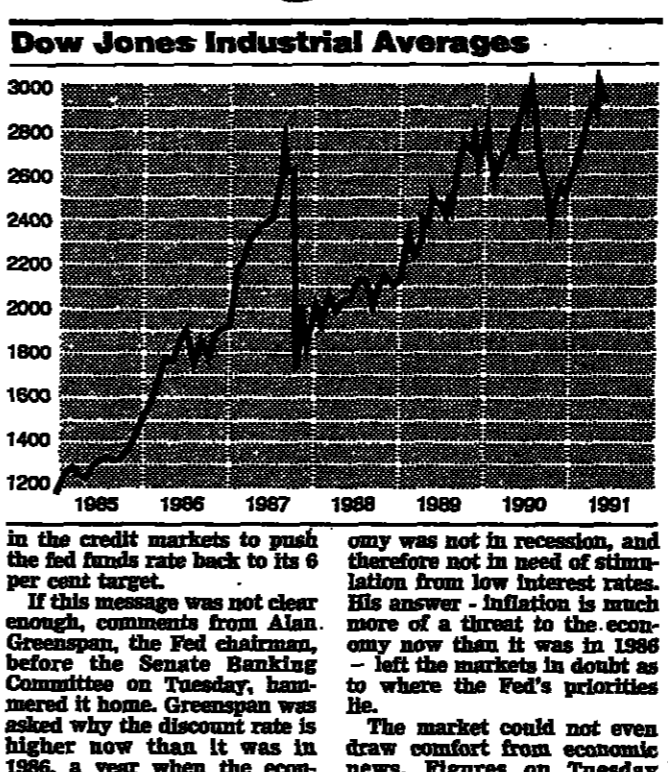
By midday yesterday, there was little sign of a recovery, with the leading indices all marginally lower. Volume also declined sharply this week, down 20 per cent from the previous week's average to around 160m shares a day.

Confirmation of Wall

Street's depressed mood could be seen in the market's "breadth" - the difference between the number of shares that rise and fall during each day. Declining stocks outnumbered rising stocks by the substantial margin of three-to-one on Monday, and two-to-one on Thursday.

Yesterday, the margin was running at almost two-to-one against the bulls. The sense of disappointment among dealers and investors was tangible all week - disappointment at the failure of the Dow to hold above 3,000, but above all at the Federal Reserve's refusal to cut interest rates.

Although the impressive rally in share prices since mid-January was fuelled by a myriad of factors the steady decline of US interest rates was always the most powerful force. The perception that interest rates are now stuck at their present levels (6 per cent for fed funds and discount rates, 9 per cent for bank prime rates) has struck the biggest blow to investor confidence. The Fed has gone out of its way to signal its resolve to keep rates steady, intervening



in the credit markets to push the fed funds rate back to its 6 per cent target.

If this message was not clear enough, comments from Alan Greenspan, the Fed chairman, before the Senate Banking Committee on Tuesday, hammered it home. Greenspan was asked why the discount rate is higher now than it was in 1986, a year when the economy was not in recession, and therefore not in need of stimulation from low interest rates. His answer - inflation is much more of a threat to the economy now than it was in 1986 - left the markets in doubt as to where the Fed's priorities lie.

The market could not even draw comfort from economic news. Figures on Tuesday

showed that factory orders for durable goods during March fell by 6.1 per cent. The next day the nation's car manufacturers unveiled disappointing mid-April sales totals, again in defiance of expectations. Yesterday the latest quarterly gross national product figures provided confirmation of the existence of the recession.

Real GNP fell 2.5 per cent in the first three months of 1991, making it the second consecutive quarter of negative growth and thus, by the only measurement accepted by the US government, evidence of a full-blown recession.

The GNP numbers were bad enough but not unexpected. What was worrying - and it spells more bad news for stock prices - was the big jump in the GNP implicit price deflator, a widely used alternative measure of inflation which tracks domestically generated price rises. The deflator rose 5.5 per cent in the quarter well up on the 2.5 per cent reported in the last quarter of 1990. The only bright news of the week came from a smattering of good quarterly figures. There was yet more cheer from

Wall Street securities houses, with Salomon and Morgan Stanley promptly displaying handsome increases in first quarter income.

The nation's big oil producers also shone. The benefits of Occidental's restructuring following the death of Armand Hammer, the former chairman, began to show, with first quarter profit up 30 per cent. Mobil reported a 75 per cent rise in earnings to \$710m, while Exxon announced a 75 per cent improvement in profits to a whopping \$2.2bn.

RJR Nabisco appears to have turned the corner at last, reporting its first quarterly profit since it was taken over in a \$4bn leveraged buyout in early 1989. Admittedly, after-tax income was a meagre \$3m on sales of almost \$5.5bn, but in the current climate the stock market has to be thankful for such small mercies.

Patrick Harverson

Everything in the garden is not so rosy

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Monday 2897.72 - 37.87

Tuesday 2899.51 + 1.79

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FINANCE & THE FAMILY

Frock coats and flush customers

John Authers on the rich world of private banking

DISILLUSIONMENT with high street banks and the daisy interest rates on current accounts might tempt wealthier clients into the arms of small private banks.

It should be stressed that you usually need to be very wealthy for joining a private bank to make any sense – the charges, detailed below, are often far higher than any you will pay in the high street.

Some newer banks, however, offer a different service. For example, Robert Fleming, a long-established merchant bank, now offers a high interest cheque account. The interest rates tend to outstrip the competition, but for the best rates you will need quite a high net income.

Smith & Williamson, which started offering banking in 1970, having grown out of a Glasgow accountancy practice, offers a different specialist service. The banking is free while in credit but there is no interest on current accounts. Their special service comes from the assistance on tax which they can integrate with the service.

The small banks which most people associate with "private banking" grew out of goldsmithing in the City of London and remain exclusive, sometimes insisting on references from existing customers before you may join. These include C Hoare, famed for its close links with the legal profession and still independent; Child & Co, the oldest bank in England, now a trading name of the Royal Bank of Scotland; and Coutts, the largest and most expensive, now a subsidiary of NatWest.

These banks differ surprisingly in character. For example, if it matters to you that your bank manager does not have a beard, then Coutts & Co may have the answer. All its male staff, from the chief executive down to the office boys, are required to be clean-shaven. They must also wear frock coats and waistcoats while they are in the office.

Coutts finds that its customers value this adherence to tradition, although none of its competitors goes to the same

extreme of wearing its history on its frock coat sleeve.

Hoare, like Coutts and Child, refers to its main banking hall as the "shop". The porters who guide you around the hall still wear a uniform of swallow-tail coats with brass buttons.

A typical perk is the narrative account, on offer from Coutts, Hoare, Smith & Williamson and Adam and Child. These list all the people who paid money into your account and all the people to whom your cheques have been paid. Many find this useful.

Adam goes a step further and offers personal profit and loss accounts, showing what you spent during the year, on food, education, or taxation. This may well prove to be a boon come the end of the tax year.

Personal banking from a specially assigned banker who will usually only have around 200 accounts to supervise is the other big "plus". The manager with whom you deal can be expected to have a broad view of your finances and to be in a position to guide you to other financial services.

If you dislike financial hassle, there are attractions in this kind of service, rather than talking to a number of different middlemen.

There are some tangible fringe benefits, in the form of invitations to dinner and, in the case of Coutts, concerts in the central garden court. Coutts also offers genuine leather cheque book and credit card holders. Whether you really think they are worth paying for is another matter.

These banks do not make it easy for you to forget their heritage. Hoare's previous clients include Samuel Pepys, Jane Austen, and Lord Byron. Its traditional strengths lie in serving the legal profession – the Inns and the High Court are both near its main branch in Fleet Street.

Coutts can counter, first and foremost, with the royal family, who have been faithful customers since the time of George III. Their line-up

continues with the actors Keen and Kemble, Pitt the Younger and Pitt the Elder, the Duke of Wellington, Charles Dickens and Lord Tennyson.

Child & Co then wades in with clients from an earlier generation – Oliver Cromwell and Dean Swift. It also has traditionally close links with racing, and with Oxford University.

All this information comes straight from the banks' promotional literature. For some reason, the main high street clearing banks completely omit the names of previous clients in their advertising.

Coutts has by far the most glamorous office, at the head of the Strand. However, the spacious mix of the marble garden court, with goldfish ponds and potted plants, mixes oddly with the Victorian dress of the attendants. The overall impression is of a modern City office, not unlike the Snowdon aviary, peopled by the cast of a Dickens novel.

Hoare's premises look more Victorian – a small office is reached through a corridor where guns for use against Napoleon are on display and four top hats stand ready in the main shop. Child's office is open-plan, and looks more like a modern high street bank, although show cases display documents from the bank's early history, and ten guns acquired at the time of the Gordon (a Coutts customer) riots against Catholics are also in the middle of the hall.

However, not all the banks are ancient or exclusively preserve "old money".

Adam & Co was established in Edinburgh six years ago and aims for more entrepreneurial spirits. While the older banks cater for the nobility, Adam's typical client is typically someone who has just sold his share in a company, or floated it on the Unlisted Securities Market.

If tradition and status appeal to you, then some of the old established names may seem attractive. But if you want value for money, you will need to shop around.



Adam & Co. Independent company, offering standard private banking services, including clever itemised accounts. New business usually comes from references. Branches in London, Glasgow, and Edinburgh, with access to Visa cash machine network (for which charges may be levied). Average balance of £1,000 must be maintained to avoid charges of 50p per entry to the account. Interest accrues daily on balances in excess of £2,000, with maximum interest available on balances of more than £10,000. Students receive free banking in credit. (Tel: 031-225-5484)

Child & Co. Use of Royal Bank of Scotland branch network (also access to Lloyds, Barclays and Bank of Scotland machines). One branch, in Fleet Street, London. Minimum balance of £750 to avoid charges – otherwise 45p per statement entry, plus £5 administration fee per quarter. Interest, tied to money market rates, is available on Premium Account (minimum balance £2,500). Optional narrative accounts available, for a fee. Virtually all new business comes from recommendations. (071-353-4080)

Coutts & Co. Use of National Westminster branch network (providing access to Midland cash machines). Four separate branches in its main office in the Strand, plus branches in Fleet Street, Bath, Bristol, Eton and Winchester. You get a narrative account, plus fringe benefits, such as leather holders for cheque books, bank cards and statements. Minimum average balance of £3,000 to avoid charges of £30 per quarter plus 75p per entry. (071-763-1000)

Robert Fleming A different animal, backed by a merchant bank. Provided you keep a high balance, it offers a high interest rate on cheque accounts. For the highest paying Premier Account, customers must be owner-occupiers with a gross income of £40,000 per annum. Minimum balance to avoid charges of £5 per month is £1,000, but 11.07 per cent gross interest rates are available on balances of £5,000 or more. You receive a Visa Gold card and

£250 cheque guarantee. Telephone banking is offered. (0708-766986)

C. Hoare & Co. The oldest independent bank, with only two branches, both in London. Provides multifunction Visa cards, for use as cheque guarantee and cash machine cards (without interest being added). A family company, with unlimited liability. References from current customers required before an account can be opened. Minimum balance of £750 to avoid charges of £3 per quarter plus 35p per entry. Free banking for students and under-25s. (071-353-4522)

Smith & Williamson. Has been offering personal banking since 1970 and has unlimited liability. It is not a competitor of clearing banks, but scores through the accounting services it can combine with banking. Cheque accounts, with narrative statements, are free while in credit, but interest is not available. Charges may be levied on cheques for small amounts. Branches in London, Bournemouth, Salisbury, Guildford, Dorchester and Blandford. (071-637-5377)

Council Tax is unveiled

HOW WILL the new Council Tax affect you, if and when it finally rolls into action? Some patterns can now be discerned through the fog of figures which surround the tax, which will be introduced in 1993.

The sizeable reduction in bills compared with the poll tax which the Conservatives are hoping for can be enforced, if the government provides enough money from central funding. However, this would lead to continued "gearing", where small differences between council spending and government estimates lead to big variations in the tax levied.

The most important determinant of the new tax will be the value of your home. In the words of environment minister Michael Heseltine: "Properties in England will each be allocated to one of seven bands. There will be no need for precise valuations of every house or flat, nor need there be regular general revaluations."

These words are vague enough to show that there will be room for haggling in the two years which remain before the earliest possible date for the starting point of the tax, April 1993.

As it stands, every property will be assessed so that it can be given a value relative to the average value of a property in the country as a whole. This calculation will be done separately for England, Scotland and Wales – in Wales your house will be banded relative to the average Welsh house price, and so on.

Then, as with the poll tax, each council will set a level of charge for each household. The proportion you have to pay will depend on the band your property falls in. Only one bill will be sent to each house.

The following bands, based on the Department of the Environment's average property value in England of £20,000 and a council tax of exactly £400 per household, should carry a health warning in the light of the government's miscalculations on the introduction of the poll tax. The average figure was set by the DoE to be £278, and turned out, even after 21 councils had been capped, to be £257.

Do not make definite plans on these figures, but at present the bands of property values will be as follows:

■ Up to 50 per cent of average (£20,000): 67 per cent of council tax (£267)

■ 50-65 per cent (£25,000): 75 per cent of council tax (£301)

■ 65-85 per cent (£38,000): 89 per cent of council tax (£356)

■ 85-110 per cent (£38,000): full council tax paid (£400)

■ 110-150 per cent (£120,000): 123 per cent paid (£492)

■ 150-200 per cent (£160,000): 144 per cent of tax paid (£576)

■ More than 200 per cent: 167 per cent of tax paid (£668).

As the figures are set relative to averages for the whole country, not just the local area, many districts in the south east will see more people paying more than the standard council tax.

There is a personal element. These charges are made on the assumption of two adults living in the dwelling. If you are the only adult in the property, you will only pay 75 per cent of the council tax.

The rules on second homes are similar to those for the poll tax. You will have to pay the full council tax on any holiday home, but with a 50 per cent discount. However, David Hunt, the Welsh Secretary, has asked for further consultation and it is possible that holiday homes in Wales will not receive the full 50 per cent discount.

Those on the lowest incomes will not have to pay anything. If there is only one person above the income support line in a household, they will be taxed as a single person. For students, the current plan is that a household of full-time students (including student nurses, apprentices and YTS trainees) would pay 50 per cent. If a student is the only or second adult in a property, they will receive a 25 per cent discount.

It looks good if you share with several others in a northern inner city. If you live on your own in a south east suburb, it is not such good news.

■ How much is yours worth? – Page IV

John Authers

Money Market Cheque Account from Bank of Scotland.

THE ULTIMATE HOME FOR ALL YOUR MONEY. INTEREST CREDITED MONTHLY AND SO ACCESSIBLE WITH NO PENALTY FOR INSTANT ACCESS.

Compare the benefits with your existing investments. Do you enjoy –

- High interest related to Money Market rates
- No notice of withdrawal
- A cheque book for easy access – no cumbersome withdrawal problems
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- A Bank of Scotland Visa Card*
- The security of a major UK clearing bank
- A monthly income facility with interest paid to any UK bank account.

ADDITIONAL DETAILS

- The only requirements are that your minimum deposit is over £2,500 and that any transaction through the account (except a Bank of Scotland Visa payment) is over £250
- Cheques may be made payable to third parties
- Statements are issued quarterly, or more frequently if you wish
- Interest rates are variable and published daily in the Financial Times and Prestel, page 3951128.

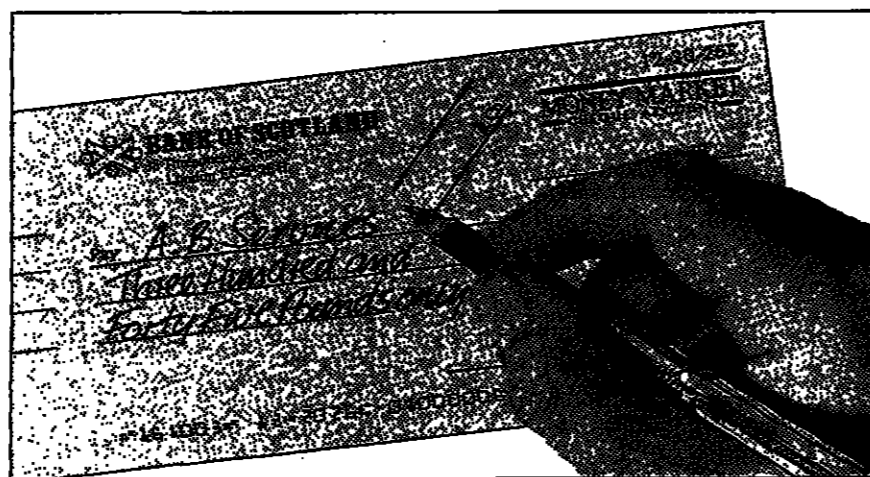
TO OPEN YOUR OWN MONEY MARKET CHEQUE ACCOUNT...

Simply complete the coupon, enclose your cheque, and post to: Bank of Scotland, FREEPOST, 38 Threadneedle Street, London EC2B 2BB.

An acknowledgement of your deposit will be sent by return and your cheque book will follow a few days later.

Bank of Scotland Money Market Cheque Account.

* Subject to status and permanent UK residency. Full written details available from the above address.



- Available throughout the UK
- No need to have another account with us
- Interest is calculated daily and either applied monthly to your account or credited to any UK bank account
- The first nine debits per quarter are free of charge, thereafter a charge of £1 per debit will apply
- Money Market Cheque Account is available through Home and Office Banking (HOB) or another leading service from Bank of Scotland. (Tick box for details)

	10.15	10.65
Gross %		
Gross CAR %	10.64	11.19
Net %	7.61	7.98
Net CAR %	7.88	8.29

Full terms and conditions are available on request. GROSS – Applied rate for interest payable when income tax does not require to be deducted. NET – Applied rate for interest payable after allowing for the deduction of income tax at the basic rate (currently 25%). Non tax-payers may reclaim income tax deducted. CAR (Compound Annual Rate) – This is the Gross or Net rate adjusted to take account of interest applied during the year remaining to the account and itself earning interest.

To: Bank of Scotland, FREEPOST 38 Threadneedle Street, LONDON EC2B 2BB.

I/We wish to open a Money Market Cheque Account.

I am/We are aged 18 or over.

I/We enclose a cheque made payable to Bank of Scotland for £ (minimum £2,500).

Full Name(s) _____

Address _____

Postcode _____

Signature(s) _____

Date _____

Should the cheque not be drawn on your own bank account please provide details of your bankers opposite.

For faster account, all parties must sign the application, but only one signature will be required on cheques.

My/Our bankers are _____ Bank

Branch _____

Account Number _____

Please apply interest to my/our Money Market Cheque Account.

Please credit interest to my/our account no. _____

with _____ Bank

Branch _____

Sort Code _____

☐ Please send me your Home and Office Banking (HOB) information pack.

For further information and full terms and conditions, tick box ☐ or ask for FREEPHONE 0494.

BANK OF SCOTLAND
A FRIEND FOR LIFE

The AIB Bank Fixed Rate Deposit Account

LIMITED OFFER UNTIL 31ST MAY 1991

10.75%* guaranteed for the next five years.

Many deposit accounts offer high interest rates today. AIB BANK GUARANTEES the same interest rate not just today but for each of the next five years.

Allied Irish Bank, with its nationwide branch network in the UK, has developed the Fixed Rate Deposit Account for investors who prefer guaranteed returns – a fixed interest rate to guarantee you the following returns over 5 years:

Investment	10.75% Guaranteed Annual Gross Income	Guaranteed Gross Income Over 5 Years
£5,000 (min)	£537.50	£2,687.50
£10,000	£1,075.00	£5,375.00
£25,000	£2,687.50	£13,437.50
£50,000	£5,375.00	£26,875.00

So for a single, fixed investment of £50,000, your Fixed Rate Deposit Account will guarantee a gross return of £26,875 over 5 years –

no matter what happens to interest rates. Your interest is paid to you annually. And, for emergency withdrawal, you may access up to 10% of your fixed rate investment.

To find out more now: Call us today on 0800 282115, or complete the Freepost coupon. This offer is only available until 31st May 1991.

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Please return to: AIB Bank, Freepost, Bankcentre Britain, Belmont Road, Unbridge UB8 1BR.

Please send me full details of AIB Bank's Fixed Rate Deposit Account.

NAME _____

ADDRESS _____

POSTCODE _____ TELEPHONE NO. _____

FT/27/91

Individual Financial Solutions

*Interest rate quoted gross before allowing for discharge of liability to basic rate tax. Non-taxpayers will be able to receive interest gross subject to completion of a form R85.

There is no setting up or management fee, but withdrawal or transfer requires 14 days notice and may incur loss of up to 180 days interest. AIB Bank is the service mark of Allied Irish Banks, p.l.c. Incorporated in Ireland. Registered Office, Bankcentre, Ballsbridge, Dublin 4, Registered in Ireland. Number 24173. Member of IMRO.

FINANCE & THE FAMILY

Financial retailing to be reviewed

The two main methods of selling finance products are to be scrutinised by SIB, reports Barry Riley

IF YOU do not know or understand what polarisation of the retailing of financial products means, do not worry: few members of the British public know much about this esoteric subject, even though it can be very important when you take out an endowment mortgage contract or a personal pensions plan.

Indeed, so low is public awareness that this week the Securities and Investments Board, the body which supervises investor protection, decided to undertake a review of investment retailing, three years after the current regime was introduced as a result of the implementation of the Financial Services Act.

High on the agenda will be the future, if any, of polarisation and the formulae for disclosure of commissions, early surrender values and other important information which are imposed by the current retailing rules.

Polarisation is the name given to the division of retailers of financial products into two camps: independent financial advisers (IFAs) and tied agents, who are tied to one company, and need only recommend the most appropriate

product from that company's range. It is illegal for an IFA to have special links or contracts with individual product providers. Equally, it is an offence for an Allied Dunbar salesman to sell a policy from Standard Life or Sun Life even if it is demonstrably better than anything from his own company's list.

The rigid rule applies right across the market, from one-man firms to mighty financial institutions. For instance, National Westminster Bank is an IFA in all its branches, whereas Barclays is tied to its own in-house life company.

Polarisation originally emerged as a concept around 1985 from a life industry think tank called the Marketing of Investments Board (MIBOC), which was set up to pave the way for the Financial Services Act.

MIBOC attempted to reconcile powerful rivalries between direct marketing companies with big sales forces, such as Allied Dunbar, and other life companies, notably the big Scottish mutuals, which sold nearly all of their policies through IFAs.

Many in the industry wanted to preserve the role of IFAs, which at that time handled perhaps 60 per cent of the industry's business, but MIBOC discovered a legal problem. Under exist-

ing law, IFAs may have been acting illegally by claiming to act as brokers on behalf of clients but at the same time failing to disclose extra benefits such as volume-based bonuses and office expenses paid to them by life companies. No cases had actually come to court, but the new legislation would have to address the problem.

Polarisation was the solution. IFAs would have to give "best advice" about the most attractive products on the market, and could receive no remuneration except commissions. These would be subject to a maximum commission agreement (MCA) to avoid possible bias if some life companies paid over the top. Meanwhile, employed salesmen or self-employed representatives could only sell the products of a single company.

The formula seemed neat to the MIBOC men but it has been gradually falling apart ever since. First, the direct-selling life companies went around offering IFAs much higher commissions if they became tied agents. Many of them did switch.

Then Sir Gordon Borrie at the Office of Fair Trading successfully attacked the MCA as being a price-fixing arrangement against the public interest. The MCA was scrapped and commission rates jumped by 20 or 30 per cent. That gave IFAs more money, but

at the same time they were told to disclose more about their income to clients.

It was the last straw for many of the banks and building societies which one after another tied to single life offices (NatWest and Bradford & Bingley Building Society are the only significant remaining exceptions). The Halifax Building Society, for instance, tied to Standard Life after conducting research among its customers which indicated that they were happy to rely on Halifax's own name and reputation, and attached little importance to independent status.

The IFA share of the life and pensions market has therefore slumped, perhaps to 40 per cent or less, and the specialist self-regulatory organisation which supervises IFAs, called Fimra, is in financial difficulties, partly because of shrinking membership.

What is more, Sir Gordon Borrie is still on the warpath, this time insisting that clearer disclosure of commissions should be made by IFAs to clients. IFAs fear that this could put them at a disadvantage compared with salesmen and tied agents.

The Securities and Investments Board has therefore been forced to conclude that the present framework is not serving, as originally intended,

to maintain a strong independent sector. It is coy about what it may decide to do about it, but several possibilities will be on the agenda. They will include:

■ A new multi-tiered status which would give both small firms and big banks more flexibility in building ranges of products without claiming to give full market coverage.

■ A change in the balance of disclosure to clients so as to reduce or eliminate the advantages currently enjoyed by salesmen over IFAs.

■ The improvement of disclosures on costs and investment returns so that intermediaries, the technical press and consumer organisations can pinpoint good and bad companies through the compilation of league tables.

This could all lead to a huge upheaval for the life industry and the various regulatory bodies. According to SIB, a key principle behind the review is that "there should continue to be available high quality sources of independent financial advice."

Hidden expenses of life policies

Eric Short, pensions correspondent

WHEN YOU buy a life policy there are two important factors – the underlying investment performance that the life company will achieve and the expenses it will incur.

It is far from easy for potential investors, and independent advisers, to judge the likely future investment performance from a company. Past performance trends are a guide, but far from infallible.

However, it is easier for the investor to get a clearer guide to the level of expenses and their effect on the ultimate return if presented in a format that he can understand, namely an illustration, in money terms, of the maturity or cash-in value at the end of the investment period.

Yet the various regulatory bodies have banned the use of such illustrations.

Life companies and independent advisers have to provide all benefit illustrations on the basis and assumptions laid down by Lauto (Life Assurance and Unit Trust Regulatory Organisation). Thus every life company produces the same illustrative figure for the same contract. It does not distinguish high and low expense life companies.

The argument put forward by Lauto to justify its decision is that contracts should not be sold solely on the basis of an illustration – a practice that was widespread in pre-financial services days and led to considerable abuse.

However, the danger to the public of using standard illustrations is that they may feel that there is no expense difference between life companies – an impression that the high-expense companies have not contradicted.

Investors are given details of a life company's expenses. But under Securities and Investments Board disclosure rules the details are given:

■ within the cooling off period after the contract has been bought;

■ as a percentage deduction from the investment return.

So the investor is given information in an opaque form after he has bought the contract, and then faces the hassle of cancelling the contract if he does not like the expense deduction.

Even if he could understand the significance of the yield figure, which is unlikely, it only relates to that particular contract with the life company.

Projected 10 year Cash Payout				
Charges	Assumed growth 7% p.a. Return (%)	Yield red'n (%)	10.5% p.a. Return (%)	
None	5,181	n/a	6,206	
Lowest (L'ond Life)	4,780	1.0	5,780	
Average	4,286	n/a	5,104	
Highest (Sw Pioneer)	3,483	7.8	4,000	
Lauto basic	4,780	1.0	5,780	

Source: Money Management. Based on man aged 25 paying £20 a month into a unit-linked savings plan.

Projected 25 Year Cash Payouts				
Charges	Assumed investment growth 7% p.a. Return (%)	10.5% p.a. Return (%)		
None	23,624	40,317		
Lowest (London Life)	20,900	35,300		
Average	17,850	28,688		
Highest (Abbey Life)	15,327	25,233		
Lauto basic	20,900	35,300		

Source: Money Management. Man aged 25 paying £20 a month into a unit-linked savings plan.

THE BEST RATES FOR YOUR MONEY

	Account	Telephone	Notes/ term	Minimum deposit	Rate %	Int. paid
INVESTMENT A/C's and BONDS (Gross)						
Southdown BS	SuperSaver	0273 471671	Instant	£1	13.00%	Y/y
Cheltenham & Gloucester	Postal A/C	0482 372372	Instant	£25.00	12.75%	Y/y
Norwich & Peterborough BS	Special BS	0738 371371	85 Day	£10.00	13.05%	Y/y
Slipstream BS	Optimum Bond	0736 700000	1.3%	£50.00	15.00%	Y/y
Bristol & West BS	Special Edition	0272 294271	31.4.92	£25.000	13.50%	Y/y
Firstdirect	High Interest DA	0800 222 000	Instant	£50,000	13.00%	Mty
TESSAs (Tax Free)						
Cambridge BS	Exeter Bank	0223 315440	5 Year	£1	15.00%	Y/y
Slipstream BS		0832 50635	5 Year	£250	14.25%	Y/y
National Counties BS		0736 700000	5 Year	£100	15.25%	Y/y
		0372 742211	5 Year	£3,000	15.40%	Y/y
HM INTRINSIC CHEQUE A/Cs (Gross)						
Caledonian Bank		HICA 031 558 8285	Instant	£1	11.50%	Y/y
UDT		0734 504411	Instant	£1,000	11.50%	Y/y
Northern Rock BS		081 285 7191	Instant	£10,000	11.45%	Y/y
				£25,000	12.50%	Y/y
OFFSHORE ACCOUNTS (Gross)						
Leeds Permanent Overseas Ltd	Overseas Gold	0824 626286	Instant	£10,000	12.75%	Y/y
Woodville (Guernsey) Ltd	Wulwich Int Gross	0481 715735	Instant	£40,000	12.50%	Y/y
Alliance & Leicester (IOM)	Manxman 90 Day	0824 633536	90 Day	£20,000	12.75%	Y/y
Leeds Permanent Overseas	Overseas Gold Bnd	0824 626286	12 Mth	£10,000	13.00%	OM
GUARANTEED INCOME BONDS (Net)						
American Life FN		081 880 7153	1 Year	£50,000	8.75%	Y/y
CIL Assurance FN		081 232 0200	2 Year	£5,000	8.50%	Y/y
Liberty Life FN		081 440 8210	3 Year	£25,000	8.50%	Y/y
Consolidated Life FN		081 940 8343	4 Year	£2,000	9.25%	Y/y
Financial Assurance FN		081 387 8000	5 Year	£5,000	9.55%	Y/y
NAT SAVINGS A/Cs & BONDS (Gross)						
Investment A/C	1 Month	£5			12.25%	Y/y
Income Bond	3 Month	£2,000			13.00	Y/y
Capital Bonds C	5 Year	£100			11.50%	OM
NAT SAVINGS CERTIFICATES (Tax Free)						
5th Issue	5 Year	£25			8.50%	OM
5th Index Linked	5 Year	£25			4.50%	OM

All rates (except Guaranteed Income Bonds) are shown Gross. OM = Interest paid on maturity. Y = Net Rate. B = Bond. Source: Moneyfacts. The Monthly Guide to Investment and Mortgage Rates, Volume 1, November.

How much is yours worth?

MICHAEL HESLITINE has ensured an outbreak of house price nervousness, because of his linkage of the new Council Tax to seven distinct bands of property value (details: Page 11).

Top-of-the-range homeowners, in band seven, face paying two and a half times the local tax rate of bottom band owners. But as the Valuation Office of the Inland Revenue supervises the new banding of the country's 22m houses and flats, how many owners will cheer on learning that their home has been slotted into one of the lower price bands?

Consider the horror for status-conscious homeowners if the local value gives them the benefit of the doubt and brands their home as a band five or six when they have always thought of themselves as one of nature's band seven. A ticklish problem of etiquette that is not addressed in the government's otherwise exhaustive consultation papers is whether socially sensitive

owners can appeal to have their valuation raised into line with their affections.

The home sale implications of the change are equally perplexing. Buyers pay for status as much as for personal accommodation. Now that the government has nailed the national house price average for all to see, who wants to boast about moving to a below average property?

Should vendors broadcast their existing price band and have prospective buyers refer to a calculator and the nearest national house price index to see what layer of averages they try to present their home as a band or two above its station and trust that no-one will ask how much council tax they are expected to pay?

Thanks to the changes which have left local taxes absorbing only a small part of council total spending, this week's proposals are unlikely to have any wider impact on property values.

Once the existing poll tax

arrangements end in 1993, the current extra costs of owning a second home will be reduced once more.

The council tax charge will be effectively halved by the allowance of two 25 per cent personal discounts. The arrangements for residential investment properties have yet to be worked out in detail, but the proposal that multi-occupied rental properties be brought within the scope of non-domestic rates would bring the local tax charge onto a more realistic business basis.

Since all student houses will get a 50 per cent discount, the temptation for students to share accommodation will be all the greater. Otherwise, the only fundamental question for housing values is the medium and long term is whether, under the Council Tax regime, individual boroughs and local authorities will have the resources to maintain an adequate level of services.

John Brennan

Savings rates are cut

SAVERS HAVE started to feel the impact of the last two base rate cuts, with interest rates falling by around 1 per cent across a range of products.

Cheltenham & Gloucester Building Society has cut the rate on its London Share Account by 0.55 per cent to 12.75 per cent gross (the minimum deposit is £2,500). Rates on the Gold Account have fallen by 1 per cent and range from 11.10 per cent to 5.5 per cent gross. The rate on the Flex-Tessa has also been cut by 1 per cent to 12.5 per cent, although the rate on the Maxi-Tessa is unchanged.

Nationwide Anglia has cut its rates by an average 1.15 per cent gross. Rates on the various accounts now vary as follows: FlexAccount (3.3 to 11 per cent); CapitalBuilder (11.2

to 12.5 per cent); Monthly Income (10.5 to 12.5 per cent); and the Prestige Bond (11.9 to 12.5 per cent).

Those wanting to guarantee their income, in the face of falling rates, may be attracted by the Fixed Interest Deposit Account offered by AIB Bank. This pays 10.75 per cent gross for five years and the minimum investment is £5,000.

Further mortgage rate cuts were also announced this week, with the going rate setting between 12.75 and 12.95 per cent. However, some borrowers will have to wait until June 1 to see the benefit of lower rates.

Derbyshire Building Society is cutting its rate for existing borrowers to 12.85 per cent as from June 1. The Mortgage Corporation has reduced the variable rate for new borrow-

ers on its Purchase Plan mortgage to 12.49 per cent, from 12.75 per cent. There is a fixed rate option of 11.99 per cent for between one and five years.

National Westminster Bank is reducing its rate by 0.5 per cent to 12.95 per cent. The rate will apply to new borrowers from June 1 and to existing borrowers from June 1. Norwich & Peterborough Building Society has cut its rate for existing borrowers to 12.95 per cent, as from May 20. The cut will also apply to borrowers on the annual review system. Royal Bank of Scotland has cut its rate to 12.95 per cent, not 12.95 per cent as we reported last week. United Bank of Kuwait has reduced its rate for existing borrowers by 1 percentage point to 12.75 per cent.

Philip Coggan

Pension chaos

ALMOST A year ago, the European Court of Justice, in the Barber judgment, established the principle that company pension schemes have to provide equal benefits for men and women.

However, it has not resulted in universal equality within all company pension schemes. There is complete confusion over whether the judgment brought in immediate equality for all, or whether employees would have to wait 40 years before achieving full equality.

This week, the Department of Social Security announced that it was giving financial backing to a test case – the wind-up of the Coleridge Pension Schemes – that could resolve this confusion.

The problem arises because the court stated that the judgment would only apply to pension entitlements after May 17 1990 – the date of the judgment. The ambiguity concerns the various interpretations of entitlements.

It could mean that: ■ Employees would only have equality in respect of benefits earned after the date of the judgment. Under this interpretation, inequalities would gradually disappear over the next 40 years as the usual period needed to acquire the maximum pension of two-thirds of earnings.

■ Full equality only applies to employees retiring after the date of the judgment.

■ All benefit payments received after date of judgment must be on an equality basis, including spouses' and dependants' pensions, irrespective of when the pensioner retired.

The judges at the European Court had hardly finished delivering their judgment before it became apparent that this ambiguity needed to be resolved quickly.

Unfortunately, the obvious course of returning to the Court and asking the judges for clarification is not available. Instead, a separate case, Coleridge, is needed to clarify the decision.

Coleridge went into administrative receivership on June 7, 1990 – a few weeks after the Barber judgment. Two independent trustees were appointed with the task of winding-up the various group schemes. Those trustees need to know how the Barber judgment will apply in order to ascertain the correct benefits for the scheme members.

So the trustees are applying to the High Court for directions and it is almost certain that the High Court will refer the matter to the European Court of Justice.

However, many employees and pensioners have not waited for clarification from the European Court. They have initiated complaints of sexual discrimination through local industrial tribunals and various claimants are putting their own interpretations on the Barber judgment.

The DSS talks of being able to get the hearings quickly. But that merely means a couple of years (early 1993) rather than decades. It took 10 years to get the Barber judgment – during which time Douglas Barber died.

Eric Short

Week Ahead

THE SPOTLIGHT has gone off Retrovir, the anti-AIDS treatment, as far as followers of Wellcome, the UK pharmaceuticals group which manufactures it, are concerned. The company is expected to say that profits from the drug have been broadly flat when it unveils results for the half-year to March on Thursday.

Analysts are looking for further signs that John Babb, the recently appointed chairman, is adopting a more commercial approach to running the company. Interim pre-tax profits should be no more than about £2m up on last time's £164m.

The two Scottish clearing banks produce their results next Wednesday. Both are expected to display the impact of the recession in the form of mounting bad debts. Bank of Scotland's results will be for the year ending last February. Analysts are forecasting a decline of as much as a quarter from the previous year's £194m before tax. The Royal Bank of Scotland will be producing interim results for the six months to March, and these will show a similar fall.

When Evered Barton, the quarry products group, announces its 1990 results on Tuesday, it will be the last set of figures for the Evered group before the merger with Barton early this year. Even so, historic comparisons will be difficult because of the rapid rate of acquisition in 1989 and early 1990. Thanks to the purchases, pre-tax profit is expected to have risen to £43m to £44m, compared with £38m in 1989.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company	Value of bid per share	Market price	Value of bid	Bidder
Prices in pence unless otherwise indicated				
ASD	75	73	85	Sheelhold
Do. 8% Crv. Pl.	100	98	120	Sheelhold
Century Oil	145	143	112	20
Cornwall & Groot	18 1/2	18	12	47.50
Develand (JA)	227	227	220	116.80
Ensign Group	125 1/2	125	58	48.45
Progressive Ltd	315	331	348	124.85
Hunterdon Bros	220 1/2	195	195	267
Lancs & London	104.75	102	94	104.85
Logik	188	172	28	13.17
Magnetics	50 1/2	48	43	5.17
MIRAC	270 1/2	268	282	74.81
Robertson Grp.	96	92	82	48.23
Total	65 1/2	76	65	109.28

*All cash offers. †Cash alternative. ‡For capital not already held. ††Conditional. ‡‡Based on 250p price 26/4/91. †‡‡Based on 250p price 26/4/91. †‡‡‡Based on 250p price 26/4/91. †‡‡‡‡Based on 250p price 26/4/91. †‡‡‡‡‡Based on 250p price 26/4/91. †‡‡‡‡‡‡Based on 250p price 26/4/91. †‡‡‡‡‡‡‡Based on 250p price 26/4/91. †‡‡‡‡‡‡‡‡Based on 250p price 26/4/91. †‡‡‡‡‡‡‡‡‡Based on 250p price 26/4/91. †‡‡‡‡‡‡‡‡‡‡Based on 250p price 26/4/91. †‡‡‡‡‡‡‡‡‡‡‡Based on 250p price 26/4/91. †‡‡‡‡‡‡‡‡‡‡‡‡Based on 250p price 26/4/91. †‡‡‡‡‡‡‡‡‡‡‡‡‡Based on 250p price 26/4/91. †‡‡‡‡‡‡‡‡‡‡‡‡‡‡Based on 250p price 26/4/91. †‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡Based on 250p price 26/4/91. †‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡Based on 250p price 26/4/91. †‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡Based on 250p price 26/4/91. †‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡Based on 250p price 26/4/91. †‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡Based on 250p price 26/4/91. †‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡Based on 250p price 26/4/91. †‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡Based on 250p price 26/4/91. †‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡Based on 250p price 26/4/91. †‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡Based on 250p price 26/4/91. †‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡Based on 250p price 26/4/91. †‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡Based on 250p price 26/4/91. †‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡Based on 250p price 26/4/91. †‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡Based on 250p price 26/4/91. †‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡Based on 250p price 26/4/91. †‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡Based on 250p price 26/4/91. †‡‡‡

FINANCE AND THE FAMILY

Currency funds: for the bold only

How can you profit from the dollar's strength? Philip Coggan investigates

THE US dollar has taken many people by surprise this year by the speed with which it has risen on the international currency markets. Many investors must be wishing that they had shifted funds into the US currency in January.

It is possible to back your hunches in the foreign exchange markets by investing in an offshore currency fund. The average dollar fund earned 12.26 per cent, offer-to-offer, in March alone and 12.85 per cent over three months, according to Finstar.

There are two main types of currency fund: a managed fund, where the manager picks and chooses which of the world's major currencies he or she expects to do well, and a simple investment in short term deposits of the currency concerned. It is then up to the investor to pick the right unit.

These funds can be offered in two forms. Accumulation, or roll-up, funds were extremely popular in the days when it was possible to use them to convert income into capital gains - and make a tax benefit. The Inland Revenue has put a stop to the practice but it is still possible to use them to postpone the date when tax is paid.

Distributor funds, in contrast, pay out their income gross and this makes them attractive to non-taxpayers such as non-working wives.

The reward from a currency

fund comes in two ways. The manager invests the fund in interest-bearing deposits to earn income. The return varies depending on the level of interest rates in the country concerned. The Old Court Spanish peseta fund, for example, is currently yielding 13.2 per cent; the Singapore dollar fund is yielding just 3.48 per cent.

Capital gain arises if the currency or currencies selected rise in value against the pound. The danger, of course, is that the currencies fall against the pound and the investor loses money.

The charges depend on the type of fund that you choose. Managed funds carry an initial charge, slightly lower than on a unit trust. The Old Court (N. Rothchild) initial charge on the managed funds is 3 per cent and the charge on the Guinness Flight managed fund is to be increased from 4 to 5 per cent, from April 30.

Single currency funds carry no initial charge. Both sets of funds have annual management charges, 0.5 per cent a year in the case of Guinness Flight as from April 30, 1 per cent in the Old Court range.

Minimum investments vary with the Rothchild fund setting no minimum at all and Guinness Flight about to raise its minimum to £5,000.

Among managed funds, Guinness Flight International Managed Currency is top over seven and ten years, achieving growth (offer-to-offer with



income reinvested) of 181.6 per cent and 351.6 per cent respectively. But to show the risks involved in this area, the worst performing fund - Foreward - actually lost 11.1 per cent over seven years.

Of the single currency funds, four of the top five over three years were Australian dollar based, with the best performing being Lloyds International, which returned 70.5 per cent. The same fund was the best over five years, with a 81 per cent return, although one or

two sterling-based funds were not far behind.

It paid to be adventurous in 1984, since the two best funds over seven years are in Italian lira (124.9 per cent) and Danish kroner (119.3 per cent). Both are part of the Old Court range.

Old Court funds also take top billing over ten years, with the Italian lira (304.9 per cent), Canadian dollar (257.9 per cent) and French franc (236.6 per cent) in first, second and third place respectively.

To put this into perspective, the average UK general unit trust returned 39.6 per cent over the last ten years - and indeed the average UK general trust beat the best currency fund over seven years as well. This merely illustrates the off-repeated investment belief that equities offer the best returns over the long term.

On the other hand, it is quite surprising to find how few funds have actually lost money over longer periods. Ten managed funds are down in price over one year - including two which have fallen by 26.6 per cent. That is the kind of fall that can easily occur with a conventional unit trust, but it might be a different story if there was a sharp rise in sterling against other currencies.

The other kind of risk is much more difficult to quantify. By being offshore, the funds do not qualify for the UK's compensation scheme, although some will be backed by local investor protection plans. Much may depend on the safety of the company concerned and it is perhaps unsurprising that the blue-blooded N. Rothchild is the largest in this field.

This is not, therefore, an area in which the small investor should speculate. But if you are gloomy about the prospects for sterling, or if perhaps you have a regular need to use one currency, such a fund might be worth considering.

The Fund Managers

How Perpetual profits from a fresh outlook

MOST FUND managers work in air conditioned offices to the sound of traffic and sirens. Not so at Perpetual Investment in Henley, Berkshire, where the managers sit by open windows, listening to the occasional chug of a passing pleasure boat or a quack from a duck on the river Thames. Something in the air may be doing the managers good, because Perpetual's unit trusts have an enviable short-term performance record.

Founder and chairman Martin Arbib is puzzled why, given his record, Perpetual has not got more than the current £440m under management. One explanation is that Perpetual has put relatively few resources into marketing compared with its competitors. Perpetual's independent status, launched the first fund just before the stock market recovered from the 1973-4 crash. In the early 1970s, Arbib had run a small number of portfolios for friends, making money even during the crash. In response to his friends' requests, he set up his own independent pension fund and unit trust company.

Although it was listed on the stock exchange in 1987, Arbib remains the dominant shareholder. Perpetual is currently trying to build up its pension business, but its name has been made in unit trusts.

Some of Perpetual's managers are regarded as demanding clients - Arbib is reputed to be a certain stockbroker. In the flesh, he is friendly and down to earth, proud owner of a St. Leonards racing car.

Each fund's investment objective is to be in the top quartile (best 25 per cent), although the second quartile may be acceptable, usually for more cyclical funds, such as Worldwide Recovery and International Emerging Companies. As the table shows, the funds have certainly lived up to this target over three years, with eight out of nine producing above average performance and six in the top quartile. Both the funds with 10 year performance records are in the top quartile over that longer period, as are three of the four funds with seven year records.

The five-year figures are less impressive. Only one of the seven funds established before 1985 is in the top quartile, and four have below average performance.

Why do most of Perpetual's figures look so good? Since it is all down to the fund managers, Arbib may be right that it is better not to be "caught up in

Perpetual unit trusts				
	Size (£m)	Launched	3 yr performance	5 yr performance
American Grth	39.1	1983	+76.7	+41.0
Asian Sm Mkts	15.1	1980	n/a	n/a
European Grth	53.3	1986	+63.6	+46.4
Far East Grth	35.8	1985	+27.6	+18.6
High Income	5.6	1988	+43.6	+18.7
Income	53.8	1979	+21.1	+22.1
Intl Emerg Cos	13.5	1984	+40.4	+23.6
Intl Grth	98.0	1974	+29.4	+23.8
Japanese Grth	18.9	1988	n/a	n/a
PEP Grth & Inc	10.7	1989	n/a	n/a
UK Growth	48.1	1987	+41.2	+14.9
World Recvry	22.9	1982	+49.2	+23.6

All figs. offer to bid with income reinvested over 3 yrs to April 1. Source: Finstar

the misery of the city". Managers only travel up to London when absolutely necessary; plenty of companies and brokers come to Henley, which is conveniently close to Heathrow airport.

An obsession with performance has led to the development of a sophisticated performance measuring computer system, which enables funds to be broken down and analysed minutely. It is possible to monitor a fund manager who is starting out by managing a regional section of an international fund. It is also possible to see whether managers are doing as well managing a section of one of the international funds as their own.

'Managers only travel up to London when it is absolutely necessary'

Perpetual's managers work in regional teams, with a total of 11 in the investment department. There is a formal monthly asset allocation meeting, but managers are pretty autonomous. The method tends to be "bottoms up", but the approach varies.

For instance, Scott McGlashan, who is in charge of the Far East, takes an idiosyncratic approach to the Japanese market, which he says, tends to be based on speculative pushes by the big broking houses. "All I look for is individual shares with reasonable growth prospects and a strong balance sheet whose price earnings ratio is two thirds of the market. I look at ten-year records to identify strong management in times of weakness. I don't spend more than two weeks a year in Japan as I've found diminishing returns in visiting companies."

He also uses warrants and options extensively to protect against falls in the market.

Bob Yarbury, in charge of the North American funds, tends to look more at sector allocation, and attributes strong performance recently to a heavy weighting in financials

in 1989 up until the crash of the savings and loans market, and energy stocks last summer. Recently he has been buying stocks geared to the economic cycle. Sharp selling, he says, has also helped.

For the UK funds, Stephen Whitaker tends to pick stocks rather than sectors, and likes to be fully invested even when the market is falling.

This year he has switched his investment policy away from holding large, stable industrials and defensive stocks in sectors like electricity, water and food, to buying smaller, undervalued companies. In fact, he acquired 22 new holdings on one day in January.

The UK holdings in the PEP Growth & Income fund, for which he is also responsible, tend to be more conservative than in the UK Growth fund, although last year, British Aerospace and British Steel were core companies of both.

High income, which is the higher yielding fund (7 per cent), includes both convertibles and overseas stocks, and has performed better recently than the older Income fund.

The difference appears to be one of management. Since Whitaker took over the fund last October, performance has improved, and capital, rather than a rising dividend will remain the priority.

Bill Murrett, who is responsible for European investment, favours technical analysis to spot undervalued markets and shares. He also tries to be as liquid as possible and thus tends to hold several blue chips. Last year, this did not pay off too well as, he believes, much of the strongest performance came from second and third line stocks. The fund's record is better over three years.

With less than half Perpetual's funds having seven-year records, it has yet to be seen whether the group can produce long term performance across a wide range of funds. But if the group can keep up the record of the past three years, it will deserve to be taken very seriously.

Heather Farmbrough

Pension letter query

AFTER starting employment with Boveries in 1967 and being taken over by the Meyer group, I had, by the time that I left Meyer International in 1987, accumulated some 20 years benefits in the group pension scheme.

Although in a letter dated 1987 it was pointed out by Meyer that my various "options" would be set out, nothing of this sort was ever provided. Not until I started a top-up scheme with one of the major pension fund managers was the matter of a transfer considered.

However, both my letters and those sent by the pension fund (the Sun Life (Canada) trust with a deafening silence from Meyer.

It is now more than a year since I first started to investigate the question with Meyer International. Can you advise if I have any means of applying pressure in this affair? Do I start to pester the chairman, perhaps.

If you are unable to get any response from your former employer you can approach the Occupational Pensions Advisory Service (OPAS), 11 Belgrave Road, London, SW1V 1RB. Tel: 071-239-5080.

What are my rights?

I HAVE recently received an increase in my company pension. The note enclosed with this information states: "The

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increase will be applied to that part of the pension you receive from the company group pension and assurance scheme which is in excess of the guaranteed minimum pension, as the latter is already inflation-proofed from the state retirement age by the government."

I would appreciate it if you could explain to me what this means and how much is the guaranteed minimum pension. The term "guaranteed minimum pension" is used to describe that part of your company pension which replaces the pension you would have received from the State Earnings Related Pension Scheme if you had not been contracted out.

This GMP is fully indexed-linked in line with the Retail Price Index and the increases get paid by the state in the form of an addition to your state pension.

This is the reason why your employer only needs to provide cost of living increases for the balance of your company pension over and above GMP. This is standard practice where pension increases are awarded.

Each person's GMP will vary according to the amount of state earnings related pension that he or she would have achieved depending upon earnings, age and the number of years in which contributions were paid.

Directors' Transactions

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Shares	Value	No of directors
SALES			
Allied Textile Co.	60,000	240	1
BPP Holdings	40,400	121	2
Brabant Resources	65,000	85	1
Bradstock	73,730	111	1
Cadbury Schweppes	269,000	293	2
David (Godfrey) Hdg	130,625	610	1
Electra Inv. Trust	9,500	52	1
Electra Inv. Trust	33,625	57	1
Forminster	25,000	90	1
Guinness	20,000	182	1
Johnston Press	88,000	177	2
Lloyds Thompson	630,000	2,249	1
London & Manchester	51,982	107	1
Mauritius (John)	500,000	600	1
Metatrax	1,200,000	1,032	1
Pearson	10,000	73	1
Proudford Alexander	735,200	2,970	6
Prudential Corp	77,290	184	1
Redland	70,594	415	2
School (GCRP)s	700,000	595	1
Schroders	140,280	855	2
Shell Trans & Tradg	248,000	1,284	2
Sinclair (Wm)	45,781	117	1
Surrey Group	2,000,000	124	1
Tay Homes	200,000	318	1
Vision Group	500,000	520	1
Waco	580,000	1,625	2
Wair Group	112,909	385	2
Wolesey	50,184	185	1
PURCHASES			
Baker Harris Saund	165,000	73	2
Investor Inv Trust	35,000	66	1
Caird Group	95,000	51	6
Ivory & Sims	50,000	59	1
Waco Group	100,000	283	1

Value expressed in 000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (P) or 100% subsequently sold, worth over £10,000. Information released by the Stock Exchange 15-19 April 1991. Source: Directors Ltd. Edinburgh. Director's transactions in own shares. Details in Inside Track, on director dealings. Contact Colin Rogers on 021 220 0488 for details.

Capital Gains Tax and you

THE INLAND Revenue has now published its March indexation table for those wishing to calculate their capital gains tax liability.

The table shows the allowance which investors can make for inflation on shares sold in March. To calculate your liability, multiply the original cost of your shares by the figure shown for the month in which you bought them. Then subtract that indexed sum from the amount you received when you sold the shares.

For example, supposing you bought shares for £5,000 in March 1983, which are worth £12,000 now. Without indexation, your gain would be £7,000, above the 1980-81 capital gains tax allowance of £5,000 (the 1981-82 allowance has been increased to £5,500).

However, using the table, you multiply £5,000 by the March 1983 figure of 1.281 to reach £7,905. Your indexed gain is just £4,095 (£12,000 minus £7,905), well below the CGT allowance.

March CGT Indexation allowance					
	1982	1983	1984	1985	1986
Jan	1.181	1.591	1.513	1.441	1.385
Feb	1.181	1.584	1.507	1.429	1.380
Mar	1.654	1.581	1.502	1.415	1.358
Apr	1.621	1.559	1.482	1.386	1.345
May	1.610	1.552	1.477	1.380	1.343
Jun	1.605	1.549	1.473	1.377	1.344
Jul	1.605	1.540	1.475	1.380	1.347
Aug	1.604	1.534	1.461	1.376	1.343
Sep	1.605	1.527	1.458	1.377	1.337
Oct	1.597	1.521	1.449	1.375	1.335
Nov	1.590	1.516	1.445	1.370	1.323
Dec	1.593	1.512	1.446	1.368	1.319
1987	1988	1989	1990	1991	
Jan	1.314	1.272	1.184	1.100	1.009
Feb	1.309	1.267	1.175	1.093	1.004
Mar	1.306	1.262	1.170	1.082	—
Apr	1.281	1.242	1.150	1.050	—
May	1.280	1.237	1.143	1.041	—
Jun	1.289	1.233	1.139	1.037	—
Jul	1.281	1.231	1.138	1.036	—
Aug	1.287	1.216	1.135	1.028	—
Sep	1.283	1.212	1.127	1.016	—
Oct	1.277	1.200	1.118	1.008	—
Nov	1.271	1.195	1.109	1.011	—
Dec	1.272	1.191	1.106	1.012	—

Source: Inland Revenue

Own up to school fee troubles

HEADS OF some of the top fee-paying schools in the UK this week took a cue from East Coast, principal of Cheltenham Ladies College, "We don't have the sort of endowment that enables us to help as much as some boys' schools, but we do, from fee income, help where we can. If parents fall into difficulties we assist."

Castle said that at present 106 girls receive help in the form of scholarships, bursaries or grants given by the College. About half of these are actually on scholarships while the rest are being helped in cases of financial need. Although

and explain, there can often be some accommodation," said East Coast, principal of Cheltenham Ladies College, "We don't have the sort of endowment that enables us to help as much as some boys' schools, but we do, from fee income, help where we can. If parents fall into difficulties we assist."

Castle said that at present 106 girls receive help in the form of scholarships, bursaries or grants given by the College. About half of these are actually on scholarships while the rest are being helped in cases of financial need. Although

she did not have an exact comparative figure, Castle said her school was that cases of financial need were about 25 per cent up on last year.

Geoffrey Parker, high master of Manchester Grammar School, said that the school had a policy of taking initially qualified boys regardless of ability to pay the fees. About one quarter of his pupils are receiving assistance. "Usually we are helping people in difficulty to the tune of about five or six a year," he said.

Barbara Ellis

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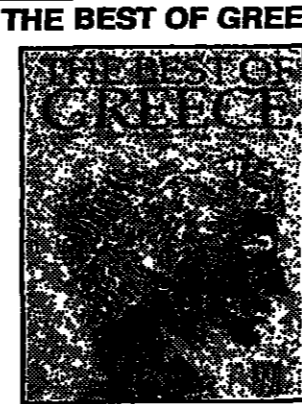
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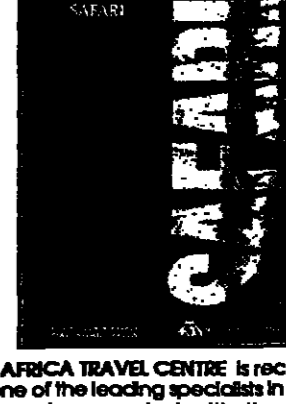
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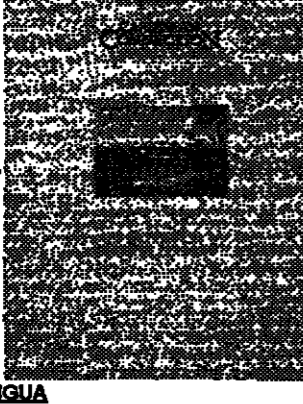
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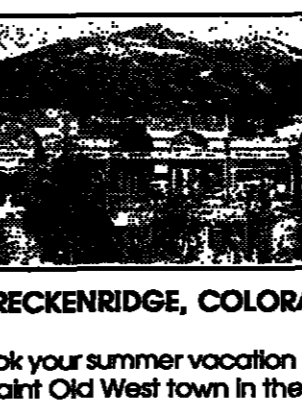
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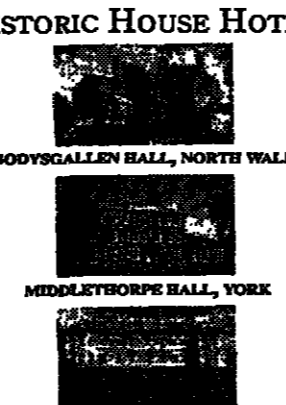
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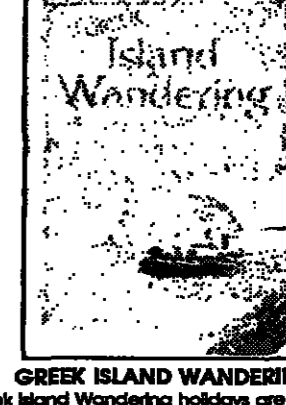
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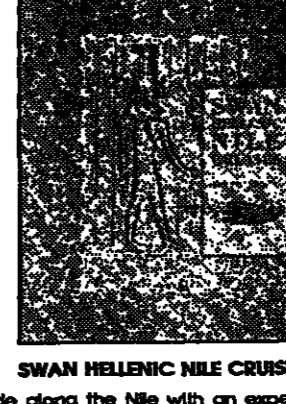
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My wife, life and France

Nicholas Woodsworth ponders the difference between the French and the English and their most mysterious ways

There were small, bright red crayfish, salads garnished with truffles sautéed out of the oven by the chef, and a small, white board of meat in the nearby hills, small thrushes neatly trussed in butcher's string, wines from the vineyard behind the house.

Throughout there was talk – village gossip, the price of artichokes, hunting stories, wine lore, advice on goat's cheese, reminiscences of other Christmases, hard times, the war. And throughout I was speechless, largely because I had a dozen well-sprung French, easy command, but also because I was overcome; here was a whole universe of traditions, rituals, habits and gestures

"MY ENGLISH HUSBAND
DOESN'T UNDERSTAND
ME."

vastly different from my own.
Understanding nothing, I was fascinated.
More than 10 years later, I am still fascinated. My French is better, and I stayed beyond the Christmas holiday: I am now part of that family. But I am not sure I understand a more French remains the same. I think I have found a halfway mixture of tribal traditions, an exotic affair.
Every year, and on both sides of the English channel, there are thick books published about the French, their national identity and what makes them so different from the

English. Some are affectionate. Others, behind a catty, chauvinist sort of humour, hide a mistrust of all things French. All, however, agree that there is a great deal more separating the English and the French than the channel.

and flats in Paris, where they have escaped to enjoy life. They enjoy the frog's-legs and baby quails that the offending French peasant culture produced; they enjoy French women, French coffee, French painting, French sophistication, French intellectual curiosity and freedom. Unbound, away from English tradition, they enjoy French life. Moan as they may about the nasty French, the English keep coming back for more.

France is indeed a place of different values, manners, and attitudes. And there are things that foreigners in France are quite genuinely upset by or see no need for.

Try living with French bureaucracy - post office, electricity board, telephone company, or any other state organ: petty officialdom has never been more obstructive.

Have an impatient Citroën XM scream up to your rear bumper at 160 kms-an-hour on the autoroute, flash its lights, then sit on you until you move over; this is not just rude, it is lethal.

Write the most ordinary of business letters you might find that the concluding "yours sincerely" salutation – "*Veuillez agréer, cher Monsieur, l'assurance de mes sentiments distingués*" – is almost as long as the text. French social formalities can make easy chores preposterous.

Unpleasant things like this make Englishmen fume. I have spent entire evenings listening to dinner-time diatribes against the French. The raving goes on, however, as *cassiolets d'escargots foresters aux asperges sauvages* rapidly disappears down English throats. Sworn blood enmity for life is one thing; the French are not overlooking *Villefranche* is another.

I have given up trying to wholly understand the teller at the *Credit Lyonnais*, the *garagiste* down the street, or Jacques Delors. These days, when one functionary in the town hall tells me I cannot have my work permit until I have my residence card, and another at the police *commissariat* tells me I cannot have my residence card before I am granted my work permit, I merely sigh.

I give, in fact, a Gallic shrug. I may have to wait until another Christmas dinner passes before the town hall and the *commisariat* sort out the problem. In the meantime there are a hundred other, more agreeable mysteries that need fathoming.

The first is my wife



The trials and tribulations of the married couple: Adam and Eve in the cathedral of St Marie, Auch

GARDENING

Flowers with undergraduate habits

Robin Lane Fox on the great beauty of fritillary time in Oxfordshire

frittillary meadows somewhere else, and people then protest that it is one of the finest habitats in England. Perhaps it is, but it is not the greatest. While most other wildflowers have been uprooted or ploughed into oblivion, Magdalen's have turned round since 1980 and multiplied. They have now left the challengers standing. Admittedly, the setting is special.

the central meadow of the walk where Joseph Addison reflected on landscape gardening in the early 18th century and began to rebel against the formal style. From these reflections, a new movement was to begin in English landscape gardening, which led to the natural style, Capability Brown and our greatest export, the natural English park. While Addison reflected on the natural beauty of the

College in the human history of the world. There must have been fritillaries in the meadow beyond him. He never mentions them, perhaps because they were still in the first sight, perhaps because he was then a boy. Twenty years ago, I remember walking hopefully in Addison's footsteps and being pleased to find two small clumps of fritillaries in flower by the edge of the raised walk. It never occurred to me to look sideways through the trees into the meadow where they grew in thousands.

Perhaps Addison never looked closely: nowadays, he could hardly miss them. In the 1880s, Marsden

As a result, the fritillaries have begun to multiply, not in tens or twenties but by the 10,000. The further you walk, the thicker they become behind their protective fence of netting. Perhaps England was once like this, with a million flowers in the meadows before anyone drained them and used the plough. This weekend,

this old grassland has become a pointillist landscape of purple and white, best seen in a gentle breeze. On their grey-green stems, the fritillaries themselves swing sociably together, as if they are engaged in secret conversation. They are like the damp, the deer, the peace of ages, and the grass which has not been disturbed for centuries.

trass. The fritillaries, which multiply in this Oxford meadow, refused to conform to multiply in my own Oxfordshire patch of rough grass. Success, too, brings its own complications. It is not so much that the fritillaries have advanced undergraduate habits and intermingled with the butterfly fauna of the meadow, but that some are dark, some are maroon, but there are dawns and purples, too, and therefore some wonderful half-castes, white with purple stripes or pale mauve with marbled white backgrounds.

Nurserymen would sell these variations at ever-higher prices. The probability is that something has happened to the flower itself.

Does anybody know the culprits? They cannot, I think, be famished undergraduates, reluctant to take out a student loan. They are probably not the other residents, the pheasants, which look contented in the Oxford sun.

In 1629, the herbalist, John Parkinson, based that the trifoliate had escaped England from France: a fellow herbalist was supposed to have introduced it, from the field near Orleans. Like Addison, he must have overlooked it on the Thames at home: the flowers were surely old British natives.

"The chief or only use of it," Parkinson wisely concluded, "is to be an ornament for the Gardens of curious lovers of delight."

Fritillaries multiply in grass or lightly shaded woodland which is damp or in an area of heavy rainfall. If they like you, they will run wild and last for centuries: they are happy with lime, heavy soil, and are even worth a gamble in a damp, shaded patch of London. If they fail, you know the answer: put away the lawnmower and send for venison on the

Time to take out the tubers

Why Arthur Hellyer has been ferreting about in his loft

Time to

Why Arthur Hel

are nice trees
dispensed with
are among
to grow give
plenty of m
their ample

Old roots are large and, with advantage, he sent several pieces of each piece has one or two tubers and also one or two pieces of last year's since the new growth are around the base of the tubers.

One of the advantages of growing tubers under cover is that the growth buds can be under observation and, when they start to grow, just the one or five per plant kept in the pot or five per plant kept in the pot rubbed out. As the roots lengthen they are rubbed out by the time the plant is up to the first leaves and is expected in July to produce a crop of tubers.

to make a fine display will continue until killed by frost. Yet these

cuttings can be potted singly in 3 or 4 in diameter pots and gradually acclimatized for planting outdoors early in June. Many varieties can be purchased in this way as young plants ready to go.

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within the
are to flower.

Dahlia tubers vary greatly in size and shape. Those that are long and thin are easily broken off. The best for long life are those that are thick and short-necked and packed into a compact cluster. They then give each other protection and hang together for years. When deciding which dahlia varieties to keep at the end of the season I always give this aspect of tuber shape and character considerable thought.

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HOW TO SPEND IT

The heavy mob's out to hook more cooks

Le Creuset makes pots and pans that delight serious chefs and Yuppies alike. Lucia van der Post looks at their latest range

WHEN IT comes to cookware there is hardly a more blue chip name than Le Creuset. Le Creuset may be heavy to lift, its bright colours not too subtle, its shapes unchanged for generations, but it comes with that priceless thing - an unshakable image.

For generations of housewives, particularly those whose cooking years were launched by the evocative prose of Elizabeth David, proper food only came in Le Creuset dishes. What other cooking pot was so perfect for transforming a tough piece of



beef into a Provençal *daube* rich with wine and herbs and "redolent of the deep South". What other gratin dish so beautifully nurtured a delicious combination of crisp topping and rich mush, what sauce pan so combined functional sturdiness with deep aesthetic satisfaction?

And what other cookware seemed to put one so instantly in touch with an authentic traditional cuisine, making one believe that food and culture were so entwined that only a philistine could neglect it?

You might think that any cookware so strongly linked with such specific imagery might have trouble surviving in these no-cook workaholic days. You'd be wrong. Yuppies may not cook but they know a good thing when they see it and Le Creuset is the nearest the kitchen offers to a designer accessory. Even those who

don't do much more than open a clingfilm-wrapped packet like to tip it into a comforting traditional dish and when it comes to looking traditional Le Creuset is in a class of its own. In the world of cast-iron nobody else can really touch it - The Danish firm of Copco produces a good small range but it, like its British rival Victor Castwares, lacks that inestimable advantage of a heritage rooted in French bourgeois cuisine.

As for those who still do cook, the mood seems to be turning again to the robust bourgeois dishes that nouvelle cuisine so spurned - things like *pot-au-feu*, *gigot d'agneau*, *foie gras*, country terrines - all of which are, of course, perfectly partnered by Le Creuset ware. All this is good news for the company, which last week

announced profits up from £2.57m in 1989 to £3.1m in 1990.

But for all that, nouvelle cuisine must have given them a bit of a scare for the company has been looking at ways and means of injecting "a little momentum into the product without losing the magic".

Developing new products which would fit alongside the things we already do well."

It has not escaped its notice that the 90s are a health-obsessed decade with too much fat playing the role of chief villain. Perfectly in tune with both modern diets and the Le Creuset existing range is the

new enamelled stainless steel steamer which fits the middle ranges of their existing round casserole dishes - just the thing for producing the crisp, healthy steamed vegetables that foodies fancy today. In white only, prices range from £11.45 for one to fit the 3 1/4 pint casserole to £14.95 to fit the 7 1/4 pint model. More than one steamer can be stacked over the same saucepan to separate different flavours but cook in the same way at the same time. The casseroles themselves start at £20.25.

Less aesthetically pleasing than the traditional cast-iron but as attractive as such things can be - given the functional parameters - is a collection of earthenware dishes aimed at the no-cook generation whose chief utensil is the microwave. There are ramekins and glass-lidded casserole dishes and plain oval, rectangular and square dishes. Prices start at £2.65 for the ramekins and go up to £18.95 for the largest lidded round casserole.

Finally, for the green generation there are three splendid enamelled steel non-electric kettles. They can be used on any hob but Aga owners particularly would love them. Sketched here is Zen, fat-bodied and welcoming, it comes in the white, red and black of the traditional cast-iron ware. Most good cookshops, in particular the Elizabeth David Cookshops which always keeps a complete range, and good department stores sell Le Creuset.

For those who are not entirely familiar with the existing range it is worth pointing out that the ridged grill pans are the best domestic tool for producing that highly fashionable *foie gras*, char-grilled vegetables, California-style. The ridges give the appealing grill scars and seal in the flavours. Le Creuset offers two - a round 9 in grill and an oblong meat grill while its company stable-mate, Le Consances (its history is even older and stretches back to 1553) has a square grillomat.

Fine art for the hard-pressed

AS THE recession deepens and times get harder the art world gets friendlier and friendlier. This week another exceptionally user-friendly art gallery - The Art Collection - opened in London, aiming to tap into that huge market that has hundreds rather than thousands of pounds to spend.

But whereas most user-friendly galleries sell the work of living contemporary artists, The Art Collection has spotted a niche for those who want nice quality decorative art of all periods. As Piers Watson, one of the founder/directors, put it: "We want to be the Waterstone's of the art world. We will stay open until 7.30 three nights a week and hope that people will drop in on a fairly regular basis to check on what we have."

He and his partner, Nicholas Hely-Hutchinson, both refugees from the City who at last have been able to turn to their first loves, pictures, have started up under a Business Expansion Scheme and firmly believe that there is a market for the sort of pictures they have to sell. "Nothing in the gallery will be over £1,250 and we aim to

make sure that at least two-thirds will be less than £400. All will be nicely framed. We are not marketing it as investment art - we aim to sell an eclectic selection of nice pictures that are good value. We won't be specialising exclusively in any particular medium or period but hope to have a complete range from Old Master drawings to Victorian watercolours. Eventually we will also have a small collection of contemporary work as well."

The partners have found it a good time to be buying - "Though we think the selection is possibly less large than in boom times, we are finding that in our price range we can buy things that we wouldn't have been able to afford a year ago. We are getting better value for our money."

The gallery is at 3-5 Elystan Street, London SW3 3NT and is open from 9.30 am six days a week, closing at 6 pm on Mondays and Fridays, at 1.30 pm on Saturdays and at 7.30 pm on Tuesdays, Wednesdays and Thursdays.

L v d P



Lady with Parasol. A Max Bohm charcoal with white gouache, £380 from The Art Collection



Neville Neal in his workshop, which holds the original bench used by Ernest Gimson up to his death in 1919

A respected chair man

Clive Fewins visits a workshop that concentrates on quality

YOU won't find any of Neville Neal's chairs in Harrods or Selfridges - or indeed any other store, large or small, metropolitan or provincial.

The only way to view the chairs, made in the Arts and Crafts tradition to the designs of Ernest Gimson, is to take a trip to Neal's workshop.

There, on any weekday or Saturday morning, you will find him at work at the bench used by Gimson up to his death in 1919, creating perfect pieces of work using exactly the same methods he was taught when he started as a 14-year-old 32 years ago.

The workshop is a downbeat affair, housed in a former shop in the all-brick village of Stockton in what was formerly the rural industrial belt of south Warwickshire, where the claylands used to sprout huge brickworks and the limestone underneath gave rise to the original Rugby Portland cement quarries.

Inside however, Neville Neal's workshop is full of sweet smelling newly-cut ash in all the shapes and sizes needed for Neal and his 40-year-old son Lawrence to assemble into some 20 variants of hand-made Gimson-designed chairs and stools. On the walls, beside the frames of partly-completed chairs, hang many of the original tools.

Edward Gardiner, who learned his craft from Gimson in the village of Sapperton near Cirencester, intended to continue the tradi-

tion when he moved his timber importing business to Warwickshire just before the First World War.

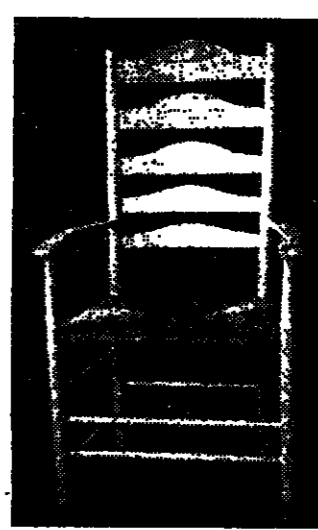
After a break of six years or so he was persuaded to take up the craft again in 1920 and he continued making rush seated chairs in the village of Friors Marston, six miles from Stockton, until his death in 1958. Neville Neal became apprenticed to Gardiner when he left school in 1938 and took over the business on Gardiner's death.

Followers of the Arts and Crafts tradition will be familiar with the story of how Gimson, originally an architect and his collaborators, the Barnsley brothers, put their artistic theories, largely derived from Ruskin and Morris, into practice at Sapperton.

They trained local men to turn out a range of exquisitely made furniture. It followed the Arts and Crafts ideals of being functional yet good to look at, but not so good that the owner would be afraid to use it daily, and not excessively expensive to buy.

Ladderback and spindleback dining chairs made with the Neville Neal stamp are in a direct line of Arts and Crafts movement work that stretches right back to William Morris. They are all made in the spirit of Morris's belief that we should have in our houses nothing that we do not "know to be useful or believe to be beautiful."

There is little chance of automating production in the Neal



Craftsmanship: a Neville Neal rush-seated chair

workshop because of the painstaking processes of working timber and rush. While Neville Neal is happy to make batches of up to 50 in the same style he is more at home with just four or six - or even one-offs, like the three-seater bench he made for an American artist last year. It was the first he had made (and might well be the last) and cost the customer £750.

The Neal chairs come in eight main styles and cost from £106 to £122 each. Rockers and carvers cost more, and children's chairs and stools less. The waiting list is about nine months from the date of order. Neville Neal also works in

oak. Chairs in this wood cost slightly more than the ash ones, neither are they as good, in his view. "Oak is more brittle. If we get a chair back for repair it is more often than not an oak one. Ash is virtually unbreakable," he said.

It takes about five hours to make the rush seat of a chair. All the work is done by the Neals using rushes they have gathered themselves in the summer months from the banks of the Warwickshire Avon or the nearby river Leam.

The rushes come free. "No money passes hands between us and the landowner - just the occasional chair," Lawrence said.

Lawrence has been working with his father since leaving school in 1966 but, if his father, now 66, retires he will be happy to carry on the tradition, making chairs in the same place and in much the same way.

"It's not really possible to mechanise or update the production process very much, however much money one might have to spend," Lawrence said. "Our chairs are essentially hand-wrought individual items, and of course the quality has to be absolutely right."

Lawrence is hopeful that one of his two sons, aged three and 10, will become the third generation to carry on the tradition. ■ Neville Neal, Stockton near Rugby, Warwick CV23 8JE.

Drapes with a touch less debt

IF YOU HAVE tried to order curtains and curtains recently you will know that they command the kind of prices that once attached to family heirlooms. Apart from the cost of the fabric, curtain-making has come to be regarded as a contemporary art-form with swags and drapes, buttons and bows all being invested with a certain esoteric mystique.

If you can't pay such prices, what other options are there? Well, you could try making them yourself - KLC, 5 Blythe Mews, Blythe Road, London W14 tel: 071-602-8582 remember, runs excellent classes - or you could buy them second-hand.

Fashionable interior decorators have been buying second-hand curtains for years - usually from grand houses in the grandest of grand fabrics - not because their clients couldn't afford new ones but because they preferred them old and slightly faded. All the auction houses regularly hold sales of old textiles but it is a haphazard business hoping for something suitable to turn up.

A much more regular source of second-hand curtains, some grand, some not so grand, is The Curtain Exchange, which was started by Liz Weston, Juliana Galvin and Jackie Horsford. What is available on a given day depends on what customers have brought in but it could be anything from cheerful gingham to chintzy Colefax & Fowler. Most looked to be professionally made - fit in to new colour schemes or didn't fit into a new house, others were designers or decorators' "mistakes" and yet more came from show flats and exhibitions. The prices

seemed a fraction of the new-ly-made price.

Those who want to sell their own cast-offs can take them along in person or, if within a reasonable distance, the shops will collect. If The Curtain Exchange agrees to sell them the client gets 40 per cent of the selling price once they are sold.

There are three shops: 133, Stephendale Road, London SW6 (Tel: 071-721-8316); 19 Stone Street, Boxford, Nr. Colchester, Essex CO1 1NR. (Tel: 0787-211065); and Townsend, Poulshot, Nr. Devizes, Wilt. SN1 0SD. (Tel: 0380-828008).

■ The Egyptian Hall in London's Mansion House is about to be closed for four years for a make-over, but on Wednesday May 1 there is a last opportunity to see it when there is a May Day Fair in aid of the Cancer Relief Macmillan Fund. The tickets cost £20 per person which includes a salmon, salad and wine lunch if you choose the first reception (11 am to 3.30 pm) or canapés, a whisky tasting and wine if you choose the evening session (5.30 pm to 8.00 pm).

It's also a chance to buy presents (splendid men's shirts, foods, women's clothing) from a big selection of attractive stalls - anything from a water colour to a piece of antique jewellery.

The Cancer Relief Macmillan Fund helps care for and support people with cancer, primarily by funding Macmillan nurses to look after patients either at home or in special units.

For tickets, ring Henrietta Gordon on 071-353-3291.

L v d P

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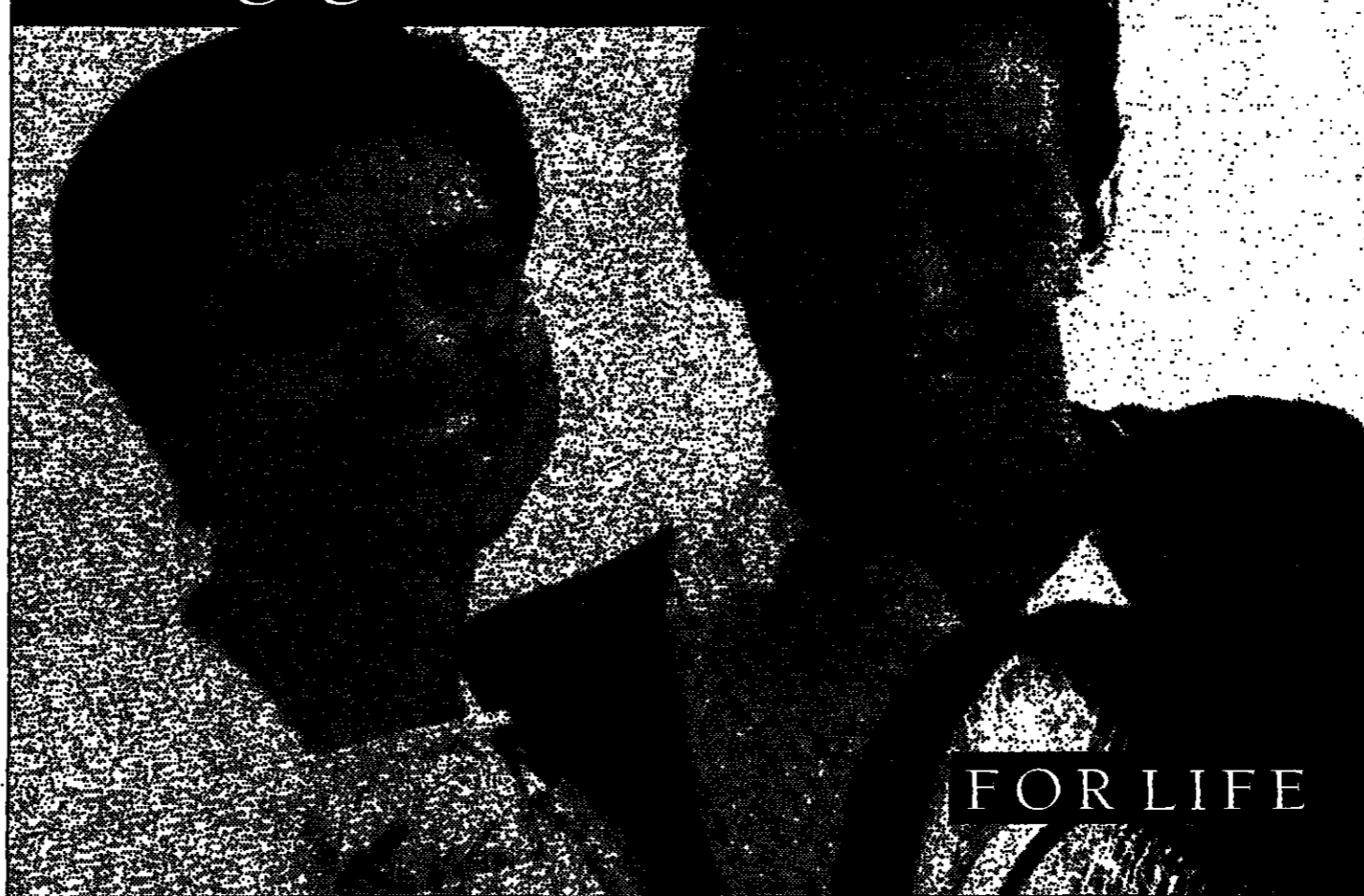
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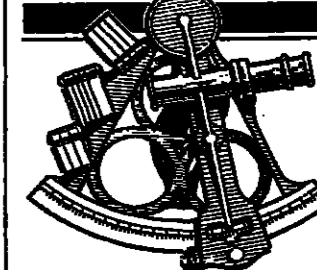
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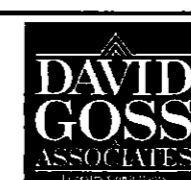
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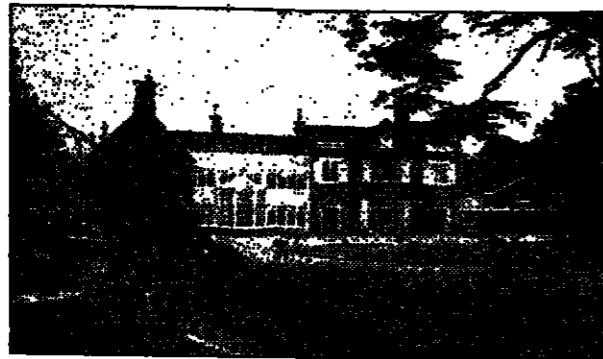
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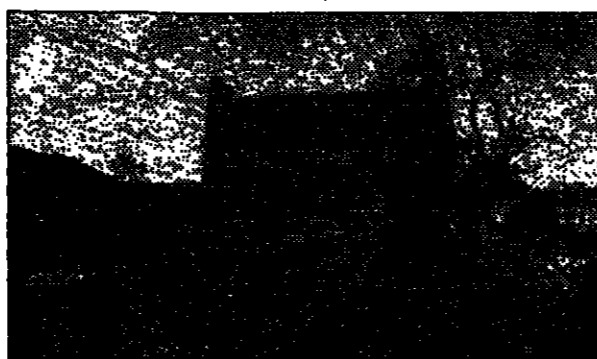
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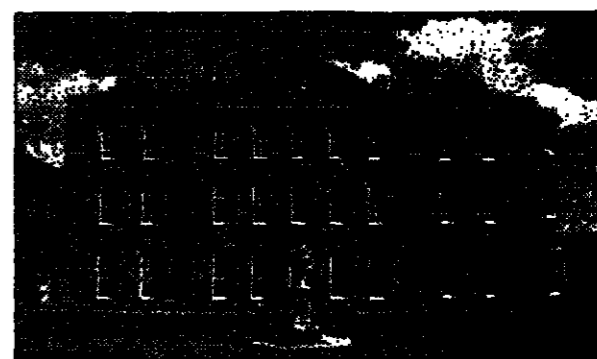
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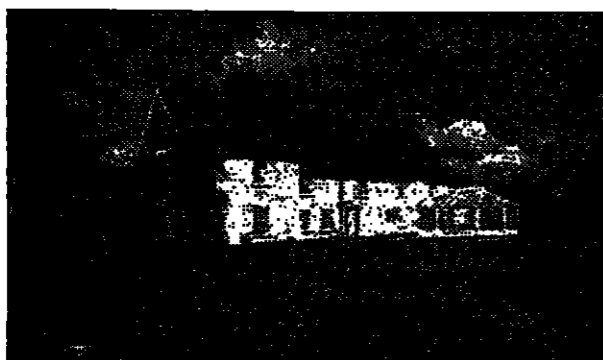
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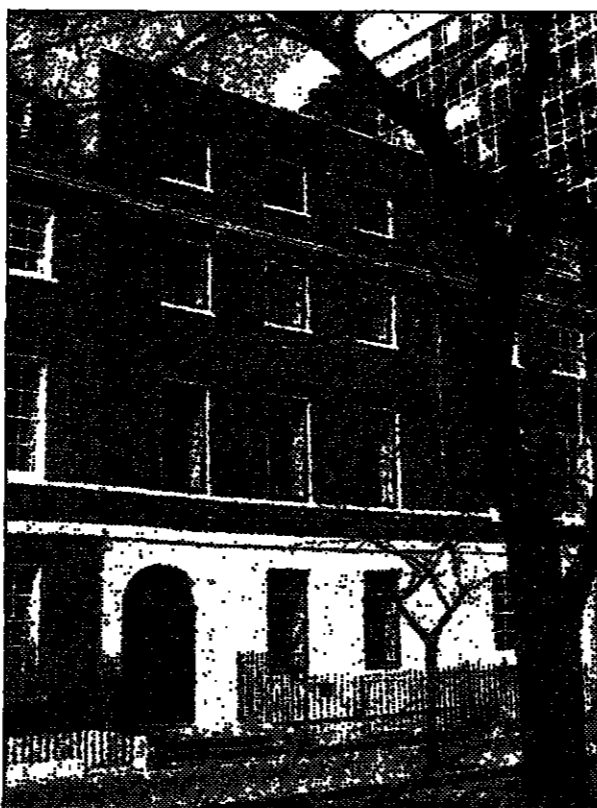
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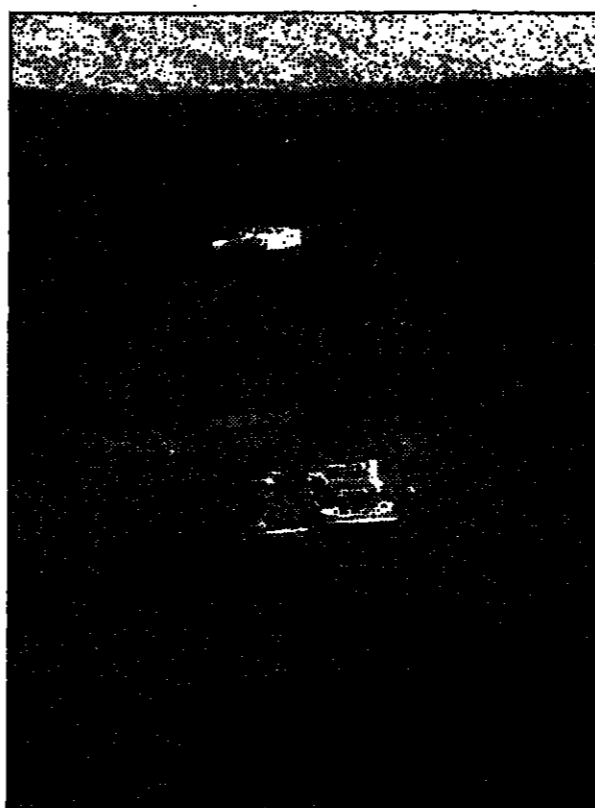
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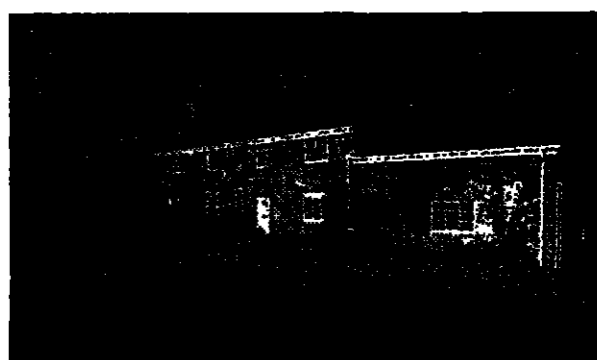
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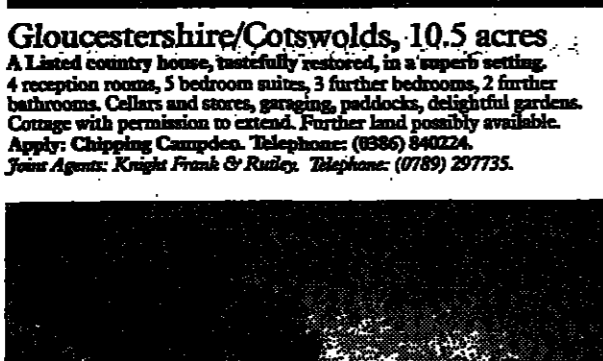
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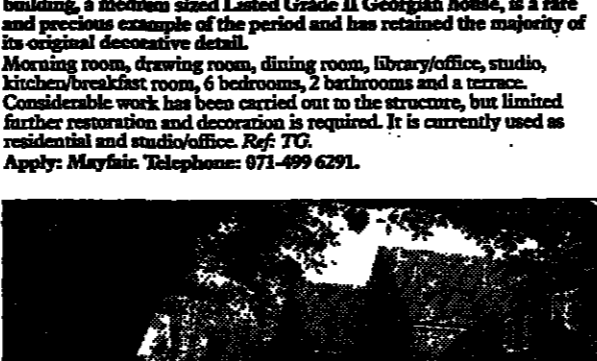
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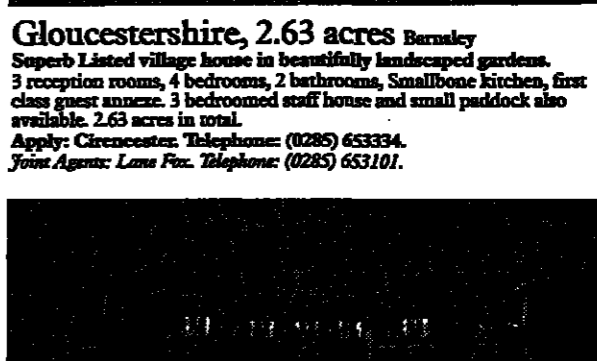
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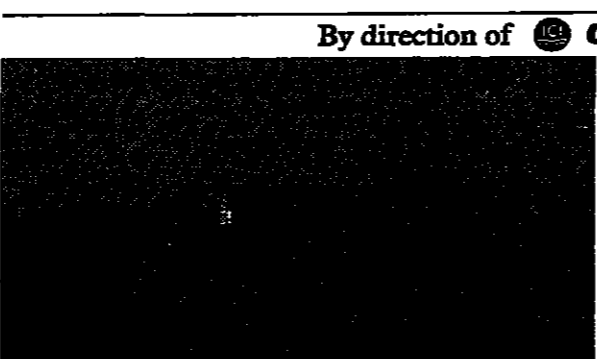
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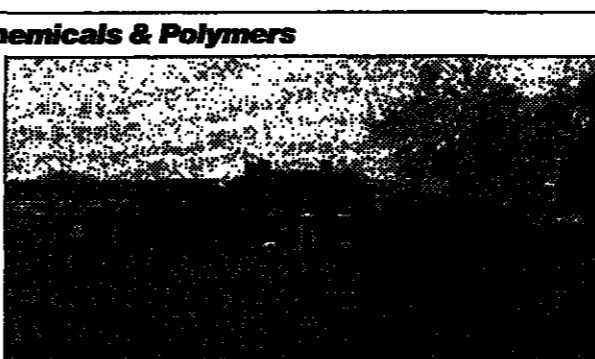
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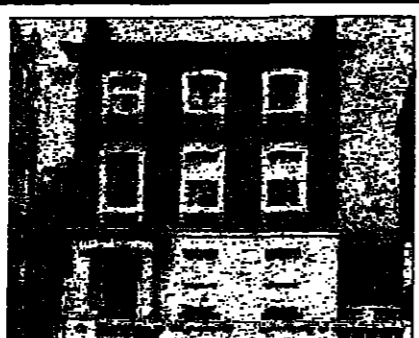


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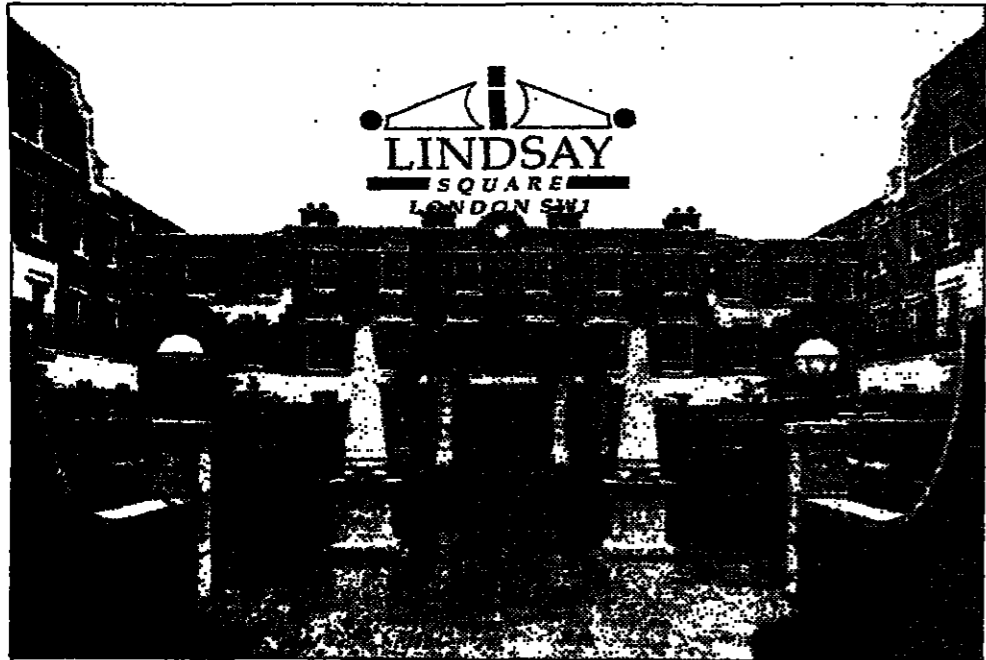
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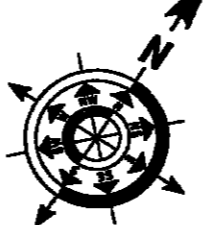


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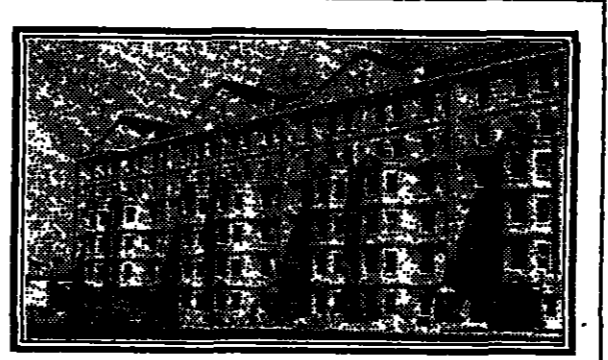
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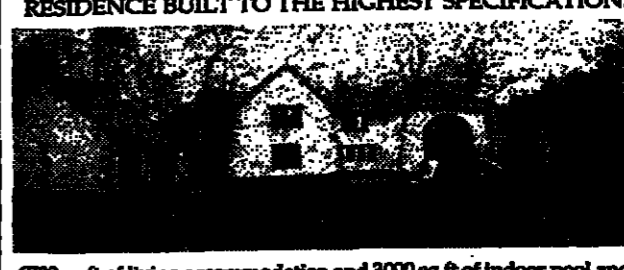
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FOOD & WINE

The wine lake starts to overflow

Edmund Penning-Rowsell on why severe frosts in Bordeaux are not too much cause for concern

ANOTHER BIG vintage this year would have a disastrous effect on the Bordeaux trade, so last weekend's severe frost will have had a good short-term effect. However, curtailed stocks for a year or so will not affect the current trend towards overproduction.

AFTER three abundant vintages in France, concern is growing that there is too much wine and the yields are too high. There has always been too much *vin de table* in the Midi but now there is apprehension about some of the *appellation contrôlée* wines that account for 20-25 per cent of total French production.

This applies particularly in Bordeaux, the biggest *appellation contrôlée* region, and in Burgundy, where world demand for white wines has encouraged overproduction.

AC wines are controlled from the vineyards upwards, with specified grape varieties, minimum alcoholic strengths and maximum yields per hectare. Apart from generic wines such as Bordeaux Rouge or Bourgogne Blanc, or large one-appellation districts such as Alsace or Muscadet, they tend to be based on common names rather than single estates. So, the appellations for Ch. Latour and Montrachet are only

Paulliac and Puygny, which can be pretty basic wines.

The system began in 1935 with the foundation of the *Institut National des appellations d'origine* (INAO) which has designated, defined and generally improved the quality of the wines under its control. Among the superior ACs, however, the authorised maximum yields increasingly were challenged; and as viticultural skills rose and the techniques of vinification developed rapidly, there was good reason to have more flexible regulations, according to the quality of each vintage.

In 1974, the INAO introduced a new system giving each AC a basic maximum yield per ha (*rendement de base*). This can be varied up or down by the committee (*syndicat*) of the growers in each appellation, which meets shortly before the vintage and forwards its views for the INAO's approval. This is known as the *rendement annuel*. Not surprisingly, demands for reductions have

been far fewer than for increases and the growers have, on the whole, got their way.

Yet, on top of this the INAO allowed a further level of yield - a "ceiling" generally of 20 per cent (*plafond limité de classement*) subject to tasting. But if wine fails at this maximum, the grower's whole crop can be declassified and sent for distillation or vinegar.

Theoretically, this *plafond limité de classement* is allowed only "in an exceptional year when quality and quantity coincide". This concession was, however, launched in the prolific but distinctly poor vintage of 1974 - something that did not inspire confidence in the INAO's judgment. Now, ceilings are created practically everywhere every year. Not long ago, Paulliac obtained one of 70 hl per ha, a level at which quality can be affected only negatively.

Then, in 1983, there was a nationwide shake up of appellations and most of Bordeaux's 57 different vari-



eties were substantially increased in yield: Bordeaux Rouge from 50 to 55 hl, Bordeaux Blanc from 50 to 65, Paulliac from 40 to 45. But St Emilion was unaltered at 45 and Pomerol moved up only from 40 to 42. With 1988, 1989 and now 1990 on the books, Bordeaux has a marketing problem. For 1989's record crop, production has been followed by another record 4.9m hl of AC red wine. Although 200-250 *châteaux*

have international reputations that provide them with important sales abroad, only about 10 per cent of these have no selling worries.

Bernard Mallet, president of the growers' syndicate of the Côte de Bourg and proprietor of the respected Ch. Haut-Macau, warned recently: "With a global production of six million we are moving towards serious mishaps... We must keep down the production, being very strict on planting: no more new planting rights for five years, and restricted transfer of rights."

On the crucial matter of limiting yields, Mallet said the *rendement de base* of each appellation should be applied strictly. He also proposed restrictive conditions on individual applications for an increased percentage, such as limiting to 1 per cent the addition of wine by means of chaptalisation (sugaring of the must) instead of the 2 per cent allowed normally. These outspoken remarks reflect

the views of many and they back up what Hubert Musso, the influential head of the *Comité Interprofessionnel* of the Bordeaux wine trade, wrote last June before that year's record harvest: "The acknowledged fall in the sales of the red wines deserves particular attention. It is the forerunner of a serious crisis, because of the imbalance created by the increase in vineyard area and crops faced by stagnation in consumption."

About 400,000 hl of last year's generic AC red Bordeaux has been blocked from sale in a *réserve qualitative* of those wines that exceeded a certain yield: in the case of Bordeaux Rouge, above 45 hl per ha; and 40 hl of Médoc and Graves. This is done to stabilise prices, and the wines will be released before this year's vintage, but it demonstrates the size of the local "wine lake". This is confirmed by Peter Sichel, chairman of the *Union des Grands Crus*, principal shareholder of Ch. Palmer and owner of Ch. d'Anglin-

det, in his new annual *Vintage and Market Report*. No fewer than 393,000 hl of wine, nearly all red, were eliminated from the 1990 crop totals because they exceeded the ceiling of 61 hl, and were sent for distillation.

Since the last vintage, trade has been very quiet in Bordeaux at all levels, and apart from the normal sales of basic wines consumed quickly, there has been little forward interest in the undoubtedly excellent 1989 superior appellations. Exports have been poor in important but recession-hit markets like the UK and US, yet sales abroad are crucial to Bordeaux. In 1988 these approached 2m hl in volume and FFf 5m in value.

The UK was then (and could still be when the 1990 statistics come out) Bordeaux's biggest customer: sales of 320m hl, worth FFf 700m. Moreover, although US imports from Bordeaux have been falling since 1986, the average price paid per bottle is the highest in the world and it is the biggest buyer of classed-growth clarets.

Now, with large unsold or unconsumed stocks in both countries, the recession and a low dollar-franc exchange rate, *en primeur* buyers of the 1990 clarets are hardly likely to be encouraged.

Mussels with pulling power

Philippa Davenport with a dish to nourish on chilly spring days

I USED to catch an occasional but lurid glimpse of the news as told in papers other than the *Financial Times*. My source was the fishmonger. Mussels were sold by the pint then. Dripping with seaweed, heavily barnacled, they were measured in, more or less, the same way. The fishmonger was wrapped in layers of newspaper to mop up the wetness as you carried them home.

Back in my kitchen I tipped the molluscs into the sink and left them to soak and feed on the handful of oatmeal I gave them, rather as though they were goldfish in a tank. Then I settled down to review the soggy Page Three statistics and the amazing feats at the vicarage as revealed to *Our Special Reporter*, salacious titbits that added to the savour of feasting on mussels.

A decade before that I used to buy mussels in a Mediterranean cove from local boys I saw with knives in their teeth swimming out to the banks where mollusc colonies flourished and where rocks were hedgehog-thick with sea urchins. They brought the seafood back, dripping with fresh, in string bags fashioned from old fishing nets, and we ate it for lunch within the hour, with only a squeeze of lemon.

The waters there were wonderfully limpid and terrible tales about pollution had not been told then. I dare say it is a different story today.

Now the mussels I buy are often farmed rather than wild. No longer swathed in seaweed or barnacle encrusted, they are thin shelled and graded by size. Now they are sold by the pound or in kilo bags made of perforated polythene. Less romantic, less exciting, but the mussels are still very much alive alive-o.

The deliciousness and the extraordinary good value remain and there is less work for the cook. It doesn't take long to bath and barbeque mussels now. No massive scrubbing is necessary, no lengthy de-barnacled session, and some say that the flesh of farmed mussels is plumper, sweeter and more

succulent than wild.

The recipe which follows is a cross between a soup and a stew, a first and main course rolled into one, my favourite sort of food for informal entertaining.

Mussels need to be cooked just before eating but all the preparatory work can be done ahead. The cooking of the mussels is swift, then you can sit down, relax and enjoy the meal with the rest of the party. This is food to eat out of doors if you can or in the halfway house of a conservatory where you can feel the warmth of an

April sun but be spared the bite of the wind. Serve the stew steaming hot and hand round a bowl of aioli (a mildly rather than extravagantly garlicky version is best with this dish I think) so that dollops of it can be stirred into the stew to enrich it to individual taste. Have a loaf of good bread on hand, bottles of crisp chilled wine, finger bowls and napkins big enough to use as bibs. A salad and cheese is as much as anyone will want to eat afterwards.

MUSSEL, FENNEL AND POTATO STEW
(serves 4-6)

5 lb mussels; 3 bulbs of Florentine fennel; 1½ lb waxy potatoes; 1 onion; 1½ pt fish stock; 2 long curls of

lightly parmed orange peel; 1 teaspoon lightly toasted and bruised fennel seeds; 3 good pinch of saffron; 1 bay leaf; 2-3 tablespoons chopped parsley; a little olive oil; a glass of dry white wine (or very dry cider or apple juice); a splash of Pernod (optional).

Trim the fennel reserving all the feathery fronds. Put the trimmings into a stockpot. Add the orange peel, fennel seeds, bay leaf and stock. Simmer for about 30 minutes. Strain and fast-boil until reduced to a scant ¼ pt richly flavoured liquid - remember that the potatoes will mute the flavour later.

Chop the onion and soften it in a little oil in a stewpan. Cut a half of one of the fennel bulbs into fine dice and reserve these little pieces with the feathery fronds. Cut the remaining fennel into wedges or chunks. Turn up the heat under the stewpan. Sear the fennel briefly, remove and



reserve it separately. Draw the stewpan away from the heat. Clean the potatoes, peel them if you like, and cut into chunks. Add them to the stewpan, stirring to coat with oil and so prevent discoloration. Cover and set aside.

Clean the mussels in several changes of cold salted water, scrubbing barnacles and tugging away beads as necessary. Discard any mussels that have damaged shells or that continue to gape when firmly tapped. Choose a large shallow pan in which to cook the mussels - if the mussels are thinly spread over the source of heat they will have a better chance of cooking and opening in unison. Pour the wine into it. (Everything up to this stage can be done well ahead.)

Shortly before you want to serve the stew, stir the saffron into the stewpan. Pour on the stock (and the

Pernod if using it) and bring quickly to the boil. Cover and simmer for about 5 minutes. Add the wedges of fennel and cook for a few minutes more until the vegetables are cooked through.

While the vegetables are cooking, bring the wine to the boil. Add the mussels, cover and cook over high heat, shaking the pan now and again, until the molluscs open.

Discard any mussels that remain obstinately closed after cooking. Transfer the rest complete with their wide-mouthed shells to a warmed soup tureen, adding the cooked vegetables and the chopped fennel and parsley between layers. Strain the mussel cooking liquor through damp butter muslin into the stewpan. Bring the combined liquids to simmering point, check and adjust seasoning. Pour the steaming fragrant liquid over the stew and serve.

A refuge of good cooking

Nicholas Lander with the first article of an occasional series by Weekend FT writers on eating out in France

EVEN FOR those who know France well the city of Albi in the south-west seems to hold a certain fascination. Its macabre history during the 12th and 18th centuries, brought home every time you look at the imposing cathedral, the extraordinary museum with so many rooms devoted to Albi's most famous son, Jean de Toulouse-Lautrec, and its position above the River Tarn, all leave a lasting impression.

Places to stay in Albi include the *Hostellerie St Aubert* (Tel: 63.54.04.04) and the *Hotel Albi* (63.47.56.66). Just behind the museum there are two good restaurants, the *Bistrot Yves* (63.38.08.08) for fish and, virtually next door, *L'Esprit du Vin* (63.54.80.44) where a thoughtful proprietor offers a suitable wine to be served by the glass with each of his dishes. But, for culinary gems, one has to travel outside the city.

Fifteen kilometres south is the small town of Raimon where a chicken and garlic market is held every Wednesday. Close to the commodious centre is the *Hotel Noel* (63.55.52.80) which has been in the same family for the past five generations - although recently a son-in-law took over at the kitchen stove.

There are eight bedrooms and a delightful terrace; the dining room is charming. With an open log fire, and lovingly polished panelling, the room proudly displays the accoutrements assembled from having served good food for so long. The cooking does not let you down. *Poissons* sautéés with capers and apples, a delicious line-caught sea-bass fresh from a lovely *bernaise* sauce and an excellent rendition of the classic veal kidneys in a seed mustard sauce were served under the beady eye of a very attentive *maitress d'*. Fixed price menus range from FFf120 to FFf220.

Some 25 km north west of Albi is the most daintily placed town of Cordes. Named after the Spanish city of Cordoba, the hilltop stronghold was a Cathar refuge during the early 13th century. So impregnable is its natural position, the story goes, that French troops sent from Paris to put down the heretics took one look at Cordes and turned back. Even today, in spite of the advantage of a car, the summit of the town with its narrow cobble streets can be difficult to navigate.

Since 1980, however, when Yves Thuriès bought the *Hotel du Grand Ecuier* and began to build his personal empire, Cordes has undergone a culinary invasion. Over the past decade Thuriès has also acquired the *Hostellerie du Vieux Cordes* (63.56.00.13) close by, has his own *pâtisserie* and set up a publishing house for his cookery books. In the process he has become a town councillor and the biggest employer in Cordes.

Born in nearby Gaillac, Thuriès began his apprenticeship as a *pâtissier* at the age of 14 and for the next 20 years worked his way around France under the auspices of the *Compagnons du Tour de France* which encourages such apprentices. Now a *Compagnon* himself he wears its badge, an earring in his left ear, with pride as well as other fashion pointers such as trousers rolled to the calf, white stockings, and a chef's jacket with the tricolours around the neck.

In 1976 - the same year as Michel Roux, who runs the

Waterside Inn at Bray in Berkshire, Thuriès became a *Meilleur Ouvrier de France*. This competition, established in 1934, is held every three or four years (it has been introduced into Great Britain) to find the best culinary craftsmen in the country. Thuriès distinguished himself by becoming the only French chef to achieve the necessary standards in more than one discipline - as *trouvaille-pâtissier* and *confiseur-glacier*. Once qualified Thuriès turned his attention to Cordes. From March 1 to November 1 every year he runs his hotel; from November to March he writes. He will shortly be producing his tenth book, a culinary encyclopedia.

He has spent a great deal of time and money on the *Grand Ecuier* filling it with suits of armour and 18th century carriages and fitting out the bedrooms in great comfort overlooking the lush countryside. He has acquired a wide-ranging and reasonably-priced wine cellar and, with the

advantage of being the largest employer in town, a thoughtful staff with a particularly knowledgeable *sommelier*.

Thuriès's food bears the stamp of a man who has been at the stove a long time. There are five fixed price menus ranging from FFf180 to FFf360 and we chose what was billed as a four-course dinner with four desserts at FFf320. What we had not counted on was Thuriès's passion for, and skill with, *pâtisserie*.

Before the first course there were three deliveries of *cassoulets-gueules*, including a small portion of a fish terrine, then a lobster bisque served in a minute copper pot. One main course, two slices of *foie gras* served hot inside very delicate pancakes with a port sauce, was stunning. But it was really only after the cheese that the meal began.

In my innocence I had imagined that the dessert would comprise one large plate with a small portion of each. Instead four desserts followed in sequence and each was better than its predecessor: a black and white ice cream with a mango purée and chocolate sticks, a *roulade* of chocolate with a wonderful pea green pistachio sauce, a hot orange *saufit* with a caramel sauce and finally three different sorbets.

If their aim was to clean the palate the intention was undone by the arrival of two lots of *petits fours*, fruit-based with the desserts and chocolate-based with the coffee. On the bed at night a chocolate truffle waited for us in vain.

Hotel du Grand Ecuier, Cordes, 81700. Tel: 63.56.01.02. Fax: 63.56.16.99. 12 bedrooms from FFf 600.

Thuriès, a master of his craft

Thuriès, a master of his craft

Stops at all stations

David Fishlock finally lays his hands on a port railway, the ideal gift for the drinking man

"I've never made a table - I'd love to have a go," said the artist over a pint in a pub in London's St James's.

IT ended the yearning, which began in my teens, to own a port railway; for within a few months Richard Grasyb delivered a round oven dining table complete with the "railway" on which the decanters coast.

Port railways were something we speculated about as impecunious youngsters learning the art and craft of imbibing. No-one I knew then had ever seen one, much less owned one. Just how rare they are can be judged from how little space they are given in

The Book of Wine Antiques (Robin Butler and Gillian Wainwright, Antique Collectors Club, 1988) which has four pictures of wine wagons but none at all of table-top railways for liquor. The authors say only that "wagons enjoyed very short popularity at the beginning of the 19th century."

In fact, I had pretty well given up hope of ever finding a port railway when, on a visit to Churchill College, Cambridge, in the late 1970s I saw my first.

It happened like this. The Master, then Sir William Hawtrey, the inventive engineer, was showing me around the college, including the Lodge where he lived. He said he had something he thought might

particularly interest me. He told me how Brendan Bracken, who died in 1969, had willed an idiosyncratic collection of furniture to the trustees of the fund for the proposed Churchill College. It was just enough to furnish the dining room of the Lodge.

Bracken had been Sir Winston Churchill's friend and colleague in Cabinet during the Second World War, and was also publisher of the post-war *Financial Times*.

Bracken had explained his intentions regarding the furniture in a letter to a friend: "In distant times the comforts and dignity of the Masters' Lodges encouraged all sorts of useful people to seek their hospitality. And so I hope the Churchill College will not only be acclaimed as a house of learning, but also as one of discerning hospitality."

Centrepiece of Bracken's dining suite is a round mahogany table, early 19th century, 5 ft in diameter, seating eight comfortably. It has a moulded border and stands on a carved, tulip-shaped plinth.

What the Master really wanted to show me was the port railway, also carved from mahogany. This is a circular track of six segments which lock together, rather like those Hornby train sets we used to get at Christmas, to form a railway with wooden rails 5 in apart, lying 3 in from the edge of the table. Once the ladies had left, the butler would assemble this track.

On the wooden rails rides a curved coaster or wine tray, long enough to carry three or



Model railway: David Fishlock (left) shares his enthusiasm for a particular type of train

four decanters. The coaster, of polished mahogany, has six wooden wheels.

If it has a fault, this graceful aid to good living appears to crowd inconveniently close to the diner, who must reach across the track to find his glass. But it has been beautifully wrought to allow the liquor to coast smoothly in response to the gentlest push.

The Master related how once he had produced it to entertain a Soviet engineer at the Lodge - "to give him an idea how the capitalists live," he chuckled. His guest evinced not the slightest surprise.

I was much more appreciative than the Russian, but no nearer my ambition of owning such a toy, for the antique was clearly not the Master's to sell. It had been left by Bracken in perpetuity to the Lodge. Its essential simplicity set me thinking, however, of having one made if only I could find a sympathetic craftsman.

Richard Grasyb and I had met in the cause of making educational aids; he as artist with special flair for presenting technical complexities in bold yet simple graphics. Might it be possible to avoid the complexity of a separate track by grooving the table? I inquired.

Grasyb seized the suggestion and was off to his studio in Bedchester, Dorset, to experiment. Within days he was back to say that he believed, from trials with a little wooden model of one axle, we might manage with just a single groove to guide the coaster.

He designed a round table 5 ft in diameter with a single circular groove 9 in from the edge, supported by a central pillar of played legs. Like Bracken's table, it seats eight.

The table top is cut from four planks of prime English oak, 1½ in thick. From the offcuts he fashioned the legs. Their central pillar is decorated with carved wooden

wheels that match the wheels of the coaster.

The wine coaster is a curved oaken tray about 15 in in length with eight boxwood wheels which run on brass spindles in brass bearings. Only the inner wheels are flanged for the groove. Grasyb has left enough slack in the coaster's suspension to produce a slight rattle, evocative of a rail train, as the port-way carries decanters from glass to glass.

The essential simplicity of his scheme is also the saving grace of this splendid piece of self-indulgence. Once the tablecloth is removed the railway is ready, needing no Butler to lay the track. If my wife had a worry it was that the groove might clog with crumbs, giving the port a rough ride. I am pleased to report that such is the care the artist lavished on carving and waxing his unique work, that it circulates without even the hint of a hiccup.

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SPORT

Cricket/Teresa McLean

Spinning a magic web

WARM WEATHER, sunshine and the beginning of a new cricket season. It was too good to be true. To make the most of it before April wind and hailstorms closed in, I travelled south, to Kent. There I talked to Derek Underwood, England's most subtle and devastating Test bowler of the late 1960s and about a season of artificial grass surfaces for cricket pitches.

He gave me his views on England's forthcoming series with the West Indies, the team arrives early next month thirsty for battle and blood. He gave me an expert's views. A bowler's view.

Underwood is the same reticent figure now that he was in his playing days, with the air of one who is constantly thinking, never divulging. No wonder batsmen found him hard to play. He looks hard to play. That about their most effective weapons, as he believes it should be of every bowler. "Always be planning something new. Cricket is only about 40 per cent ability, it's 60 per cent mental approach."

No-one who saw any of Underwood's most ingenious spells of bowling, such as the classic masterpiece on the last day of the 1968 Oval Test against the Australians, when he took 7-50 to win the match and save the series, could dare doubt him.

Underwood was a slow medium-pace left-arm, round-the-wicket seamer of menaces. As England's bowling at the moment is short of fast, medium, slow and spin bowling, he has no doubt that it must make menaces if it strength. "It was about to start a series against the West Indies, I would be discussing and thinking about their batsmen, and I was getting some strategies worked out."

I asked if there were any weak links who might merit extra careful study? As cautious as he is shrewd, Underwood gave a guarded reply. "Gordon Greenidge, I suppose. A wonderful batsman, but by now he must be a bit slower than he was."

Greenidge's recent form has looked a little on the weak side. If he and Desmond Haynes maintain their tradition of opening the West Indian batting this summer, England must concentrate on dislodging him early, before the partnership develops into a match-winning one. Like the 298 he and Haynes rattled up in their last Test against England, at Antigua a

year ago. Sometimes, if the West Indian batsmen fall into a downward slide, they lose patience and are almost as liable to collapse as England - witness their first Test against Pakistan last November. If England can get an early breakthrough, they need to keep the tactical initiative, bowling with great thought and aggression to Viv Richards, the West Indies captain and Underwood's second (and more surprising) choice as a vulnerable West Indian batsman. Underwood thinks Richards has so much natural talent that "he may have become just a little bit arrogant now," resentful of setbacks, perhaps better at staging a brilliant individual stand of defiance than leading a team fightback.

This is brave thinking, and Underwood admitted with a wry smile that "Richards is always a danger and likely to score at least one, probably

Derek Underwood, England's 'quiet man,' talks about the forthcoming Tests

two hundreds in five Tests." But he has his weaknesses. "The old game is a great leveler." England would be glad if fate chose to level out Test match fortunes for them this summer, but if psychologically powered bowling is to be their main means of helping this happen, they need to arrange it well. English fast bowling at the moment is limited to Devon Malcolm, a strike bowler of occasionally demonic form, who needs a partner in pace at the other end. Angus Fraser is not a pace bowler and it is misguided to try and use him as one. England would do better to give Martin Bicknell credit for taking more wickets last season than any other English bowler of fair pace except Neil Foster of Essex (ineligible since going on the unofficial 1989-90 tour of South Africa). Tim Munton of Warwickshire and Steve Watkins of Glamorgan have been opening the English bowling with Malcolm, he should do so not for one game but for the whole series, come what may - a vote of confidence such as few English players receive nowadays. Fraser should be used in the vital, difficult, fast-medium slot where he

belongs, to take over from opening spells of speed. If he survives the intensive training and practice demanded by modern English cricket's fitness regime, he and Munton can generate enough refinements of length and movement to make them an effective fast-medium pair. Such a pair would be a great boost to English resources this summer - containing, frustrating and trapping West Indian batsmen keen to cut loose.

It is not an easy task. West Indian batsmen have not looked seriously uncertain in English Test matches for over 20 years. The last time the West Indies lost a series in England was in 1963, when Gary Sobers' great side of the 1960s had broken up, morale had sunk and the corpus of the 70s and 80s West Indian skill, which is now in its twilight years, had not yet been established.

Presumably the main body of this summer's West Indian batting line-up, after the opening pair, will be drawn from Gus Logie, Brian Lara, Richie Richardson, Carlyle Best, Carl Hooper, Jeff Dujon and Viv Richards, who comes in anything from No 5 to No 7. Not an encouraging batting target for bowlers.

Underwood says all England need do is convince themselves that they will win and, if that proves too much, give the impression that they believe they will win. After all, England won the first Test in the West Indies early in 1980, having lost 14 of their previous 15 Test matches in the West Indies. Nothing is impossible.

Richardson has never yet managed to do his sparkling best in England; Dujon is said to be less nifty than of old behind the stumps, and, if only England's captain and selectors will take up their most exciting chance, few of the West Indian batsmen are used to playing high-class spin bowling in English conditions.

Naturally, Underwood has clear ideas about this subject and they are ideas with appeal to anyone who finds the remorseless monopoly of speed in West Indies bowling claustrophobic. "We need a specialist spinner. I can't see one prepared to really use the ball, bowl it up and give it air. We should play Richard Illingworth. And a slow bowler who uses flight, if only there was one - Phil Tufnell, I suppose."

Now that would be real attack. Surprise is such an asset in attack and a battery of slow, gulleful bowlers,



Forever deadly: Underwood, India v England 1981

undoubtedly by lifeless pitches or blistering batsmen, would be a surprise response to the one-track Caribbean bowling assault.

England have nothing to lose. They can't do worse than they did in the last two blackwash at home. They might as well set to work on building an attack against the odds. The first

Test is the one that matters most. England should go out to bowl in it armed with some unusual weapons, aiming to unsettle the batsmen.

I had to end by asking Underwood if England would beat the West Indies. He was careful, if not grim. "They've got their work cut out," he said.

Tennis/John Barrett

Indulging in memoraborgia

FROM THE start it was Mission Impossible. Whoever he had played in the first round in Monte Carlo on Tuesday, Bjorn Borg would have lost. Yet I take no pleasure from having forecast the defeat of the former world champion at the hands of the 26-year-old Spaniard, Jordi Arrese, who has never been ranked higher than 28.

After all, it was not difficult to see that a man of 34 who has not played a tennis match for eight years and is using a wooden tennis racket cannot expect to compete on level terms with a tournament-tough pro wielding a graphite frame. The fact that Bjorn, in his prime, was arguably the greatest match player ever counts for nothing.

During Borg's eight-year absence the game's equipment has improved. So have the players. They are bigger, fitter and faster than tennis players have ever been. Thanks to modern technology men like Agassi, Sampras and Ivanisevic can hit the ball much harder than ever before. This makes for more excitement on slower courts but shortens the rallies and diminishes the spectacle on fast surfaces.

The men's game has become more physical, less subtle, though the women's game has benefited by making winners easier and reducing tedious rallies.

I can understand why Bjorn is attempting a come-back, and believe him when he says it has nothing to do with money. His complicated private life has certainly not brought much happiness. How natural, then, that he should seek the elusive commodity in the arena where he was once supreme. Revealingly, he said this week how great it felt to walk out to a tumultuous welcome and to perform again for his public.

What Bjorn will discover, however, is that it is not much

fun losing. He never had much practice at that. Yet if he were prepared to set his sights a bit lower he would discover a world of opportunity. Today's 35-and-over circuit is growing fast and although the prizemoney is relatively modest, men like Stan Smith, Bob Lutz, Ilie Nastase, Roger Taylor and John Lloyd enjoy themselves and provide wonderful entertainment. Whatever Bjorn decides to do, I, for one, hope that he opts for the junior veterans' tour next year.

Anyway, his reappearance offers me the excuse to indulge in a little memoraborgia.

Nice 1971 - Lennart Bergelin shouting his head off. This is a Borg. Unless the 14-year-old Berg can be dragged off the practice court to join the rest of the Swedish junior team in the bus, they will all miss their dinner.

Wimbledon 1972 - Bjorn wins the junior event by recovering from 2-5 in the final set to beat Britain's Buster Mottram 7-5. In these columns I wrote: "... clearly the Swedish boy is a match player of some class but, from the way he hits the ball, he is unlikely to be of much account on grass." At the time, everyone agreed!

Wimbledon final 1976 - Wondering how Bjorn could serve as well as he was doing against Nastase when he was having to apply a cold spray to a damaged stomach muscle at each change of ends. His serve, not his groundstrokes, was the cornerstone of this first of five Wimbledon successes.

Wimbledon final 1980 - Marvelling at the quality of Bjorn's serving in the final set of a memorable final against John McEnroe who had saved five match points in winning the 4th set tie-break 18-16. Borg wins Wimbledon for the last time: 1-6 7-5 6-3 6-7 8-6.

It was a fitting climax to a glorious career. That is how I shall remember him.

Despatches/Leslie Collett

Jews who seek a German safe haven

IDA WEIZMAN, from Vinkovtsy in the Ukraine, shrugged her frail shoulders when asked why she had come to Germany along with nearly 4,000 other Soviet Jews since last year. Hesitatingly, her husband Josef spoke instead, explaining that oddly he was "less afraid in Germany than in the Ukraine."

His wife nodded. Germany was a "civilised country" with a sense of guilt, she said softly. It was a remarkable utterance coming from a woman with her searing experience. In 1941, at the age of 12, she was herded with her family into the ghetto of Vinkovtsy by the Nazis. Rescued by a Ukrainian woman who kept her hidden under straw, she did not emerge until the Soviet Army returned in 1944. Her father and brother were both murdered by the Nazis.

Both Ida and Josef Weizman said they feared an outbreak of pogroms in the Ukraine. They had ruled out Israel as a future home because their health was poor.

Although most emigrating Soviet Jews would prefer to go to Israel, hundreds arrive in Germany each week and nearly 3,000 last year, raising the prospect, unthinkable only a short time ago, of a flowering of Jewish life in the nation responsible for Auschwitz.

The economic motive is powerful among Soviet Jews planning to emigrate to Germany. But it is inseparable from fears that anti-Semitism, always present in Soviet society, will become virulent as the disintegration of the Soviet economy accelerates.

Most Jews admit they did relatively well in the Soviet Union, with many belonging to the intelligentsia and some operating in the black market. Disparaging remarks about Jews are increasingly heard in the lengthening food queues as well as in the metro and buses. Instinctively, the Jews feel that the overt anti-Semitism of the ultra-nationalist Pamyat movement is falling on increasingly fertile ground.

Most of those emigrating are in the prime of life and highly skilled. "We are getting the cream of Soviet Jewish intelligentsia," says Matthias Jahr, head of the Advisory Office for Jewish Emigrants. Engineers, computer specialists and doctors were more likely to find ade-

quate employment in the German economy than anywhere else. They did not want to end up as manual labourers in Israel.

Difficulties have been caused, however, by the fact that many Russians have been arriving in Berlin with forged papers declaring them to be Jews. Among Soviet Jews this was jokingly referred to as "capitalism."

Boris Wolfson, 49, a balding computer programmer from Ekaterinburg, the Ukraine, came to Berlin last year with his grown-up son and non-Jewish former wife.

"I feel more Russian than Jewish, otherwise I would have gone to Israel," he explained, waiting outside the Advisory Office. Like most Soviet Jews he was not religious. He said his son, a talented biophysicist, was one of the main reasons he had come to Germany. The young man's career outlook in the Soviet Union had been bleak but he now had a chance of getting a coveted research position in Berlin.

A Jewish woman who came to Berlin 20 years ago waited at the Advisory Office with her newly-arrived brother from Leningrad, an engineer, and his family. Her brother said that his nine-year-old daughter had been subjected to massive anti-Semitism at school from children who were echoing remarks heard at home. Symptomatically, none of the teachers intervened to stop the harassment.

This and worsening economic conditions had made them leave everything behind them including a one-family house and car - a good life by Soviet standards. "It is like a contagious disease, one family that emigrates triggers off the decision by another family to do the same," his sister explained. She vowed to having adapted to life in Germany like a "fish to water." Her two children, who were 14 and four years old when she came, now felt themselves to be Germans more than anything else. Some German politicians sense the unique

opportunity to inject a vigorous new element into the tiny, ageing Jewish community in Germany of some 30,000 survivors. Others, however, suspiciously view the Soviet Jews as the vanguard of a horde of destitute Russians and other easterners preparing to descend on Germany.

Thus the German authorities have displayed a somewhat ambivalent attitude towards the Soviet Jews. Invited by East Germany, which ceased to exist last October 3, they were officially "tolerated" by the Bonn Government, that is, allowed to stay for an indefinite time. At first no more than 1,000 Jews were to be allowed in but this suggested limit was sharply criticised by Helmut Galsinski, chairman of the Central Council of Jews in Germany. The irascible Galsinski, himself a survivor of Auschwitz and other camps, regards the rejuvenation of the Jewish community in Germany as a question of its very "survival."

Wolfgang Schauble, the German Interior Minister, promised that entry for Soviet Jews would be handled "generously" but could not exceed a "tolerable" limit. No exact figure was given but 10,000 a year was suggested as a reasonable number. Israel, and some Jewish organisations in the US, expressed concern over the number of Soviet Jews arriving in Germany although it was minute compared with the 185,000 who came to Israel last year. Ironically, problems also arose with a considerable number of Russians who turned up in Berlin with forged papers declaring them to be Jews.

The Soviet Jews bring with them a remarkable reservoir of goodwill. The German government this month ruled that Soviet Jews who wanted to emigrate to Germany could no longer come as tourists but would need visas from the German Embassy in Moscow. Lotz Voss, an official of the Berlin Interior Department, said it was unclear whether the number of

Jews to be allowed in will be unrestricted but that no evident limit had been set by the Bonn government. (The Jews are to be treated as refugees and distributed among the Länder (states). No Jews would be accepted as refugees once they had gone to Israel he noted, an apparent concession to Israeli concerns.)

A Soviet Jewess who was among the first Russian Jews to emigrate to Germany instead of Israel in the early 1980s, waited patiently with her newly-arrived brother from Leningrad, an engineer, his wife and daughter. Like many of the Soviet Jews they live in east Germany in a former hostel for Vietnamese workers but are eager to settle in Berlin.

The Soviet Jews have expunged as far as possible the Nazi era from their memories. Before the Nazis, Germany represented everything which was progressive to many Russians and Russian Jews alike.

"Germany is a democratic country," Boris Kaplan, an engineer, remarked. He came from Lwow in the Ukraine with his wife and son. They left out of fear of Pamyat, the nationalist and anti-Semitic movement. He said of Germany: "The people like Jews and we like the Germans."

Motoring

What to do when feeling flat

TYRES DO not go down often now but when they do, it is easy not to know about it until too late.

In a modern car with power steering, gradual leakage of air because of a puncture is almost undetectable on a motorway. But the tyre is steadily getting hotter and eventually it may blow out. Or, when you leave the motorway on a curving slip road with a tyre grossly under-inflated, you might lose control.

If drivers knew immediately a tyre was losing pressure, they could stop at the next service area, go to an off-motorway garage or at least find somewhere safer than the hard shoulder on which to change the wheel.

Deflation warning systems do exist. Porsche has one on the 928. The company uses tiny, air pressure sensitive

transmitters inside the tyre. When the pressure falls, they send a signal to a receiver in the car and a warning is flashed to the driver.

However, these cost too much to be practical for all but the most expensive cars. At least, they have until now, but a bright idea by development engineers at Sumitomo Rubber Europe BV may change that.

Sumitomo Rubber, which makes Dunlop tyres in Europe, has evolved a much simpler and potentially cheaper deflation warning system. Ingeniously, it uses hardware already in place on any car fitted with electronically

controlled anti-lock brakes or a traction control system.

Anti-lock (ABS) systems detect when a car's wheels are rotating at different speeds under braking. Any wheel that is about to lock up and skid has its brake released until the tyre grips again. Then the brake is reapplied.

This brakes on, brakes off cycle takes place many times a second if need be. Traction control systems work in the same way, except they prevent wheelspin being caused by too much engine power overcoming tyre grip.

Sumitomo uses the ABS brakes computer to detect a

puncture by monitoring the rolling radius of all four tyres on a car. When a tyre's inflation pressure decreases, so does the rolling radius. As the tyre gets smaller, the wheel turns faster. The computer passes the information to the Sumitomo system which tells the driver he has a puncture.

The method has been tried before but the problem is that a 10 per cent pressure loss reduces the tyre's radius by only 0.1 per cent, which can also be caused by the car accelerating or cornering. Sumitomo has found a way of making the computer understand when the tyre's

shrinkage is caused by a puncture and prevent it from giving a warning when it is due to normal driving forces.

Before Sumitomo took over its tyre-making business, Dunlop had a lot of experience with its clever but commercially unsuccessful Denovo run-flat tyre.

Motorists and car makers have made it clear that although they know all about the theoretical benefits of specialised run-flat tyres, they won't put up with their complication and expense.

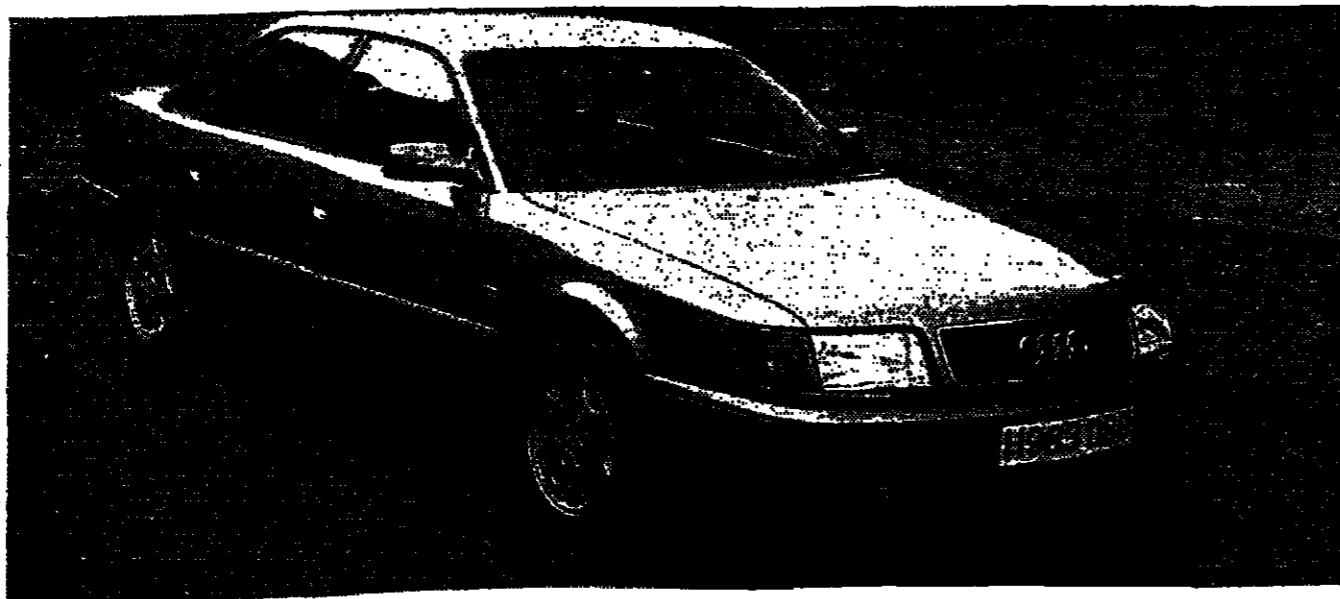
The Sumitomo deflation warning system (DWS) is essentially a software package

that can be used either by its own computer or the one that operates the anti-lock brakes.

Systems like Porsche's that use air pressure sensitive transmitters cost several hundred pounds. It is too early for Sumitomo to put a price on its own system, but it would clearly be much less. Low enough, in fact, for it to be a practical optional extra for any car with ABS brakes.

Car makers in the US, Japan and Europe have the Sumitomo system under evaluation. Sumitomo will not say when the system is likely to appear on cars. But its safety potential seems so great it may not be long before DWS joins ABS and TCS (traction control system) on the list of standard equipment for up-market cars.

Stuart Marshall



AUDI COULD hardly have picked a better moment to launch its new executive saloon, the 100, on the British company car market. At a time when money is tight, it can point to its car prices rising by less than the rate of inflation in the last year. Although the new ones cost about 7 per cent more than the outgoing models, the price now includes ABS anti-lock brakes as standard. So, too, is Procon-Ten, Audi's unique crash protection system. It pulls the steering wheel away from the driver and tightens the front seat belts in an impact severe enough to shift the engine backwards.

Three of the cars - the 100 2.0E with manual or automatic transmission (both due in the UK in June) and the 100 2.3E manual - are priced below the £19,250 tax break figure. First to go on sale - they will be in UK dealerships on May 8 - are the 183 horsepower 5-cylinder 2.3E and the 174 horsepower 2.6E (petrol), which has a brand new, narrow angle V6 engine. Having sampled two of the new 100s, an automatic with front-wheel drive and a manual gearbox quattro, I rate them attractive alternatives to class rivals such as Mercedes 190, 200 and 230 and the BMW 320 and 325. Coming in September are Avant estate car versions, automatics with quattro transmissions and a super-economy direct-injection turbo-diesel.

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BOOKS

Life and loves of a political philosopher

Anthony Curtis admires Benjamin Constant

BENJAMIN Constant was 22 in 1789 when the mob stormed the Bastille. After a whirlwind, scapegrace youth he had come to rest in Brunswick where he was employed at the Duke's court in the Electorate of Hanover. In 1794 he met Germaine de Staël, then aged 27, the daughter of Louis XVI's finance minister, Necker. She had a mind as penetrating as Constant's, and as great a sexual charisma in spite of not being beautiful.

Her personal dominance over eminent men and women was legendary. The influence of her salon was unrivalled. Some writers on Constant have suggested that the effect of his literary collaboration, turning eventually into a stormy love affair, with Madame de Staël was to transform his outlook from that of an 18th century rationalist - he was educated at the University of Edinburgh in the days of Adam Smith - into that of a 19th century romantic. Geoffrey Zélide (as she called herself), still a most readable piece of Strachey-like writing, dramatised their encounter in this light. The later biography of De Staël, J.C. Harwood's *Misadventure* (1983), also highly readable, corrected that view to some extent and is indispensable for a full understanding of their careers.

Zélide (as she called herself in a self-portrait) was Constant's first female mentor. Known after her marriage as Belle de Charrière, older than Constant by 27 years, she was a lively, striking, high-minded Dutch aristocrat who had isolated herself in the country at Colombier in Switzerland with her mediocre Swiss husband. Whether or not she and Constant - a Swiss of French Protestant origin - were lovers has never been established. Sainte-Beuve thought they were; the editor of her papers thought they were not. At any rate, Zélide was an admirable educator. She was a quietist who preached restraint and control over the passions; Germaine de Staël was a political activist who never feared enthusiasm and involvement. Apart from her writings and her attacks on Napoleon, she was a courageous "scarlet pimpernel" during the Terror.

Chitchat with Tennessee

Geoffrey Moore ponders Williams' best friend

AT a party given by John Gielgud in June 1948 Maria Britneva noticed a young man wearing one red and one blue sock. Since everyone was ignoring him and she looked vulnerable, she invited him to join her for a meal with her family. There he met members of the White Russian colony in London, including "Larkie Boy" and "Klop the Bug" (father of Peter Ustinov). A few days afterwards he disappeared, and in July Maria started receiving letters from Paris addressed to "Darling Maria" and signed "Love - Tenn".

"Yes, folks, you've guessed. The young man (he was actually 37 at the time) was none other than the famous playwright, Tennessee Williams, who, having taken Broadway by storm with *A Streetcar Named Desire*, had come to London for the British premiere of *The Glass Menagerie*. John Gielgud, directing, Binkie Beaumont producing. The fact that Williams was staying in a suite at the Ritz does not dim the brightness of Maria's story. She might be a little naive, but she is a genuine 100 per cent chick.

But who exactly is she, you may ask? A glance at Donald Spoto's biography of Williams reveals three brief entries. In the first, she is described as a young, Russo-English inspiring actress - a woman of strong loyalty and vitality. In the second, her name is inscribed on a plaque at Williams' summer-house Key West, along with six others. In the third, her antagonism to Tullulah Bankhead is noted,

BENJAMIN CONSTANT AND THE POST-REVOLUTIONARY MIND

by Biancamaria Fontana

Yale £20, 165 pages

serve two goddesses," wrote Scott, "he had chosen the false mysticism of Germany [de Staël]; the doors of the temple of reason were shut and the altar of Colombine would never be rekindled." This excellent new book, *Benjamin Constant and the Post-Revolutionary Mind*, shows that Constant never really abandoned reason for false mysticism. By applying reason to the main problems confronting French society in the post-revolutionary period, he identified many issues that are still unresolved today. He entered the debate, begun by the *Philosophes*, about the general will; he approved of Godwin's *Enquiry Concerning Political Justice* and tried to bring it to the attention of the French public; he took issue with Burke's *Reflections on the Revolution in France*. There are as many absurdities as lines in this famous book," he told Zélide.

Biancamaria Fontana, formerly a fellow of King's College, Cambridge, has previously edited an edition of Constant's political writings, and is an admirable educator. She was a quietist who preached restraint and control over the passions; Germaine de Staël was a political activist who never feared enthusiasm and involvement. Apart from her writings and her attacks on Napoleon, she was a courageous "scarlet pimpernel" during the Terror.

He [Constant] could not

Napoleonic period. Constant had the insight to see the new force that had now come into French politics - the *classe intermédiaire*. These middle rank people were the seed of the strength of the nation, and they participated "with full rights into the maintenance of national interests; they are no longer the object of an insolent condescension on the part of a proud caste. There is no longer privilege, no longer political monopoly."

In his search for a new model for society Constant addressed such problems as the composition of elected assemblies, the extension of the right to vote based on ownership of property, the need for limits on the power of the administration. He identified the emergence of public opinion as a salutary check on the despotism of the state. This activity as a political philosopher was combined with his pet project, a history of religion. It was still incomplete when he died at the age of 63 even though several volumes had been published. Fontana combs this work for Constant's further perceptions about the nature of society.

In her chapter on the one book by Constant still read and universally enjoyed, the novel *Adolphe* (the paperback Penguin English translation of it by Leonard Tancock is first-rate), Fontana relates it to the themes she has extracted from these political writings. On the surface the novel appears to be one of the most a-political of all fictional works. Its confessional hero (based closely on Constant himself) is a fellow of King's College, Cambridge, has previously edited an edition of Constant's political writings, and is an admirable educator. She was a quietist who preached restraint and control over the passions; Germaine de Staël was a political activist who never feared enthusiasm and involvement. Apart from her writings and her attacks on Napoleon, she was a courageous "scarlet pimpernel" during the Terror.

He [Constant] could not



View at Narni by Camille Corot - taken from Corot in Italy: Open-Air Painting and the Classical Landscape Tradition by Peter Galassi (Yale £25, 258 pages, 284 illustrations in colour and black and white).

This picture was exhibited at the Salon of 1827 and is one of his most striking Italian landscapes, painted nine or ten months after arriving in Rome. It was once owned by Degas and is now in the National Gallery, London.

Mr Galassi argues not only that Corot's open-air studies point forward to Impressionism but also that they marked the culmination of the earlier classical landscape tradition.

A major Corot exhibition is to be held in Manchester City Art Gallery from May 18-June 30, to be accompanied by another book - *Corot and the Art of Landscape* by Michael Clarke (British Museum Press £18.95, 180 pages with 135 colour and black and white illustrations).

This book provides an Anglo-Saxon perspective on the artist, examining Corot's life and work, and his influence on a generation of painters after him.

Behind the man from nowhere

THIS IS the first quick-fire interim biography of Mr John Major that has appeared on my desk for review. Two more are due out this spring. Mr Pearce and his publishers are to be congratulated for working so fast. They may have scooped the pool, for in truth there is not so much to say about the subject that one book any longer than this short one is needed, let alone three. Even recapitulations of the events surrounding the fall of Mrs Margaret Thatcher, in which one of the expected new tomes aims to excel, are becoming a drag on the market. Enough is enough. Mr Major may become a good prime minister, possibly an excellent one, but it is far too early to say. For the moment he is the quintessence of ordinariness made momentarily interesting by his sudden emergence in the top political job. That is all.

Thus limited in what he can hope to achieve, Mr Pearce has done better than you might expect. He writes well; he is therefore an agreeable read. His little excursions about the nature of prefer-

ment inside the Conservative party, or the true function of the whips' office, are both necessary to an understanding of his subject and a possibly useful addition to the reader's store of knowledge.

As might be expected, there is not one drop of Kitty Kelley virulence in these pages. Indeed, there are no seriously adverse comments on Mr Major. Mr Pearce's tone is too matter-of-fact to be derided as hagiography; against that it lacks the overlay of informed criticism necessary to a rounded picture. Perhaps a posthumous biography will provide one. For now, the basic facts will have to do.

Most of them are familiar. Mr Major is rare if not unique among British prime ministers in the degree of economic hardship he endured as a child. He really knows unemployment from the perspective of the dole queue. He has brains, talent, and drive, although in the case of the first two qualities, not necessarily in excess. Mr Pearce suggests that had the prime minister's lower middle-class family not fallen upon hard times he might have made it

THE QUIET RISE OF JOHN MAJOR

by Edward Pearce

Weidenfeld & Nicolson £14.99, 177 pages

to Oxbridge; as it is he is an antidote to a relative memory and a quick grasp of new material put before him.

His outstanding quality, whose origins are unclear, is his ability to get along with people, to be liked even by his political and other opponents. A Lambeth housing director, the late Harry Simpson, was an early mentor and tutor in the ways of winning friends and influencing the opposition. Mr Major is quoted as saying that "he would take people who were totally opposed to his view, he would analyse their outlook, and the first thing he did was to understand their argument and why they made it. From that perspective you can dismantle it unless of course you get a better understanding and realize they may be right." The prime minister's predecessor did not

attend the Simpson school of public service, but then perhaps she might not have achieved as much as she did if she had.

Combined with a willingness to master the detail of briefs, Mr Major's studied emolument worked well. It enabled an extremely ambitious politician, who was not averse to using the normal political tricks, to rise from nowhere four years ago to prime minister today. Of the two important posts Mr Major held along the way, Mr Pearce is defensive about the brief spell as foreign secretary and rather at sea about the year as chancellor of the exchequer.

As to the question, what is the real Mr Major like, this book gives the answer, which is that there is no answer. Even the prime minister cannot know it. But he has only just picked up the clay. It is interesting, it takes its time in shaping it. We will know what the prime minister is like when office has fully formed him.

Joe Rogaly

Civil War revisited

CONRAD RUSSELL has something new to offer us in his approach to the two well-trampled grounds of the Civil War and Puritan Revolution. England was only part of the problem, and the whole ghastly story has been seen too much in terms of simply England. "England in 1637 was a country in working order, and was not on the edge of revolution." Then how did it come about?

The three kingdoms were fundamentally diverse. Yet in the 17th century people thought that diversity meant anarchy. The most inflammable source of diversity was religion. Rulers thought that the cure was to impose uniformity. England produced a rebellion which he had not the means to suppress. So it was the Scots who triggered off civil war, and their intervention which turned the scales in England. Then they attempted to impose Presbyterian uniformity upon England! This was just as hopeless as Charles I's attempt in Scotland. People rarely learn from political experience. It is an ironical, sad reflection upon human affairs that some sort

THE FALL OF THE BRITISH MONARCHIES, 1637-1642

by Conrad Russell

Clarendon Press, Oxford £40, 550 pages

of unity was eventually achieved by Cromwell only by force. And then it was against the majority in all three countries!

Mr Russell's book gives one more to think about than any of the scores of books on the subject, mostly pro-Parliament. If not pro-Puritan, Russell is more fair to Charles I, than he was not more "duplicitous" than politicians are apt to be. As one reads one thinks of France in 1789, or Russia today

and Catherine the Great said that Russia was "ungovernable".

Charles I found, or made, his kingdoms ungovernable. And one is impressed - as Churchill was - by the intractable complexity of the situation. Russell's book adds up to the old traditional view that the religious animosities that made it so. The Puritan hatred of Laud was well high inside. A leading MP speaks of the "wicked tenets" of his Arminianism. This was because the poor Archbishop believed in free will, and regarded Calvinist Predestination, condemning the bulk of mankind to eternal damnation, as abhorrent to his soul.

Of course he and Charles were more tolerant than they

were, and more sympathetic to the Catholics in Ireland than they could possibly be to destructive Covenanters. A civilised man, Laud was shocked by the devastation of the cathedrals in Scotland; he called it "Deformation, not Reformation". Puritans wanted to carry it further. A cultivated man, Charles wanted to restore the noble fabric of St. Andrews. Civil war merely carried destruction further all round. The conflict of the time have their consequences today. The last words of the book read: "As for Ulster, already in 1641 the crucible of the British problem, that is a place where the issue of this process is yet in the future." Borne in upon one is the conclusion that human affairs, perhaps especially political, are often very silly. Especially in time of revolution, confusion, chaos.

A.L. Rowse

Author as idolater

SO MANY novels are written, but so many more are stillborn, sabotaged by laziness or rejected by perfectionism. Many hopeful novelists are muzzled by the fear of unintentional plagiarism: to the fragile ego of the unestablished writer, the faintest sense of literary indebtedness can seem like imitation, and chapter two is abandoned in despair.

Nicholson Baker circumvents the problem of literary indebtedness in this, his third novel, by taking it as his subject. His last book, *Room Temperature* (an extended prose poem of love to his wife disguised as a sequence of witty misunderstandings which occurred during the author's first marriage) showed that he could

U AND I

by Nicholson Baker

Granta £12.99, 179 pages

now, paradoxically, his example often intimidates him into silence. But those unable to share Baker's view of his inspiration's "influence and longevity" will be pleased to hear that this book is primarily an idiosyncratic literary compendium.

As he digresses, from the evils of the thesaurus, to literary gossip, to the trespasses of critics, Baker's neurotic tone

fluctuates between mock-apology and puffed irony. He is garrulous about literary reputations, and amusing when reminding us that they are often based on misquotation. He extols the novel as the greatest literary form; and his flamboyantly long sentences and arcane vocabulary indicate that he is testing the form's possibilities. His judgment is not infallible, however: suggestions of homophobia disappear, particularly when they later involve him in the placatory but ambitious claim that "most good novelists have been women or homosexuals".

There is also the occasional suspicion that this is mere legionsman. Can Baker really be as badly read as he claims? Are his guilelessness and modesty genuine, or merely clever opportunism artfully disguised? And what of his desire to outwit critics? After all, autobiographies disguised as literary manuals is not new, but his references to Cyril Connolly's *Enemies of Promise* carefully pre-empt accusations of imitation. On balance, however, he charms and amuses us into forgiveness. If this is tricky, it is nothing if not brazen and entertaining. But it will be interesting to see what he attempts next; and also to see how, if at all, Updike responds.

Clive Fisher

The Latin America story

BRITISH INTEREST in Latin America when the British publishing house and a British editor are in the process of producing the finest complete history of the region. The Cambridge University Press ten volume History of Latin America, edited by Professor Leslie Bethell, is now within sight of completion. Taking as its starting point the colonisation of the Americas, the series should be complete in time for next year's 500th anniversary of the "discovery" of the Americas.

The monumental undertaking was begun back in 1976 and the publication of Vol VII confirms the consistency and dispassionate readability of the previous volumes. This in itself is a tribute to Professor Bethell, who continues to direct the project although he has become director of the Latin American Institute at London University. It also confirms the value of having one scholar as the

editor even though the project covers so many countries spanning such a long period of history. Each volume consists of a collection of essays either on individual countries or on themes, with a particularly welcome emphasis on aspects of culture. This is complemented by a section at the end of each volume with a chapter by chapter series of excellent bibliographical essays which direct the reader with authority where to pursue the subject in greater detail.

The previous five volumes published have covered the region from the time of colonial conquest up to 1900. The remainder (including Vol VI which appears shortly) will extend up to the end of the 1980s; while the final volume (Vol X) will be an updated and expanded version of the existing bibliographical essays.

The present Vol VII covers Mexico, Central America and the Spanish Caribbean. This is a tumultuous period embracing the consolidation of the Mexican revolution, Sandino in Nicaragua, the effects of the depression on the commodity-based economies of Central America, the rise of Panamanian nationalism, the Cuban revolution, the

The authors have made their essays as up to date as possible. Such immediacy is well-intentioned; but on occasions this makes them seem a little breathless and uncertain in their final conclusions. Academics do not like being seen to be wrong and contemporary events in Latin America move with extraordinary speed. Arguably, when these essays were written there was not quite the same sense of perspective regarding the collapse of Soviet power, the advent of more democratic government in Latin America and the move towards generalised acceptance of market-oriented economies.

This is a pity because with the benefit of hindsight, the end of the 1980s and the Reagan administration clearly marked a watershed in the development of Latin America and US policy towards the region with the collapse - the most remarkable development

being Mexico reversing its long-held prejudices towards the US and agreeing to become part of a North American Free Trade Area.

Of two Mexican essays, the surest touch concerns the Cardenas presidency which highlights the improvised nature of much of his reform including the oil nationalisation. The overview of Central America during the 1980s draws an elegant broad brush, making a telling point that where there is a rise in wealth in societies with great social inequalities, there is the reverse of a trickle down effect - it creates even greater disparities.

Finally, it is a pleasure to see Victor Bulmer-Thomas, one of the leading authorities on Central America, compressing almost 60 years of Nicaraguan history into only 50 pages. With all the recent attention devoted to Nicaragua, historians may well note this gives the space and perspective the Sandinista Revolution deserves.

Robert Graham

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ARTS

Devolution grinds to a halt

Antony Thorncroft on the latest developments in the arts world

IT LOOKS as if the proposed great shake-up for the UK arts world, the drive towards devolution, much loved by the last Arts Minister but one, Mr Richard Luce, is being laid gently to rest. The current Minister, Mr Tim Renton, obviously has doubts as to whether control of the subsidy strings should be taken away from the Arts Council in London and handed by new Regional Arts Boards. He is not proving the soft touch the arts Establishment anticipated, and is currently wagging his finger furiously at everyone in sight.

This week he asked Mr Anthony Everitt, the secretary general of the Council, to save another £1m on devolution and pretty sharply too — by May 17. The Arts Council is cutting its staff by 50, down to 130, but, although two Regional Arts Associations are to disappear under restructuring, staffing of the new RABs is set to rise by 15, to 370.

The hard pressed chief executives of the RABs, born that way and this by Ministerial changes, will find the supposedly weakened London Central forcing them to shed staff.

And, despite the intentions of Luce, the RABs do not seem to be getting their administrative hands on the bigger companies. Last December the Arts Council forwarded to Renton a list with the names of over 90 companies earmarked, often against their will, for devolution, and including such heavies

as the four London orchestras, the Royal Court, the ICA, the CBSO, and the Royal Exchange Manchester. It was expected that he would rubber stamp it. Instead he quickly ordered the Council to rethink. The first group of 28 companies devolved this week covers pretty minor bodies, with the exception of Aldeburgh.

With no second list now expected until October 1992, when a very different Arts Minister might be setting in, it looks as if the devolution bandwagon hardly rolled beyond the suburbs of London.

One bandwagon which has definitely halted is Upstart, the theatrical production company, which has gone into liquidation. It was started three years ago with a capital £150,000 contribution from the Arts Council. Business interests were expected to match this sum.

The decision dismayed established touring groups, like Compass, which relied on Council money for their survival, and purists who thought the Arts Council should not get involved with playing the theatrical angel.

Upstart's ventures, however well intentioned, never struck gold. It always seemed to be trying to square commercial acumen with a social conscience, and it discovered there just was not an audience in the provinces for black musicals like *Mass Carib* or children's plays like *Pied Piper*.

It came to grief over another mix of religion and Mammon, *Children of Eden*, a musical based on the Book of Genesis, which closed prematurely on April 6th, not bringing drama to an overlooked provincial town, but, ironically given the company's remit, in the West End. Like an Upstart musical, the Arts Council is looking on the bright side and counting the sixty weeks of regional touring it got for its money.

Mr Jeremy Isaacs, boss at Covent Garden, has finally pleased his critics. He is starting to pension off the Royal Opera chorus, which, with an average age approaching 50 and at least a dozen stalwarts over 65, has long been in the critical firing line.

They could just about get on stage without zimmer frames, but anything at all mobile was left to the legs of specially recruited supernumeraries. Apart from their static posturing the main problem was the voices and the fact that the Covent Garden repertoire has recently been hoisted with Russian works, like *Prince Igor* and *Bois d'Arc*, which stretched their vocal learning powers beyond the limit. There were reports that they were behind the beat in *Prince Igor* because they were reaching their lines off monitors.

Now chorus numbers are being reduced from 72 to 50, with freelancers summoned up for the mammoth productions. Mr Isaacs has been slow to act

through human kindness. The ROH pension scheme was rudimentary in the extreme and only now can these faithful servants be retired to some comfort.

Mr Guy Wilson, Keeper of the Royal Armouries, expects to know within the next month whether his plan to lead his unrivalled collection of arms and armour out of its 900 year home at the Tower of London and into a purpose built museum in a regional city will come true.

The Royal Armouries has felt increasingly inhibited in the Tower even though it inhabits some of the finest remains, including the White Tower. It wants its own identity and space to show more of its collection. It will not demolish the Tower: it can afford to leave many treasures behind, including a set of Henry VIII's armour (it owns four), but it is considering offers from progressive cities who, in the wake of the success of Glasgow and Birmingham, see the economic opportunities in the devolution of major arts organisations from London. Leeds, stung by the success of neighbouring Bradford in developing a heritage reputation, is currently the favourite home for the new £30m museum.

The problem, of course, is money. If the Government comes up with a useful gratuity Wilson hopes that the local authority, and an appeal to business friends, will do the rest.

Struggle of the sexes

Max Loppert on the Berghaus treatment of 'Ariane' in Paris

MONDAY evening at the Châtelet had all the hallmarks of a classic Paris opening-night *scandale*: end-of-act thunderclaps of boeing interspersed with equally forceful cheers, with the boons eventually triumphant during the final curtain call. In the critic of *Le Figaro* the whole show was "parfaitement détestable"; to the Cassandras in the audience who believe that opera as a theatrical medium is being ruined by the excesses of the modern producer, the evening will have supplied plenty of contemporary evidence.

"The opera chosen for revival was Dukas's *Ariane et Barbe-bleue*. It is one of the key items in the French music cycle that is the principal preoccupation of the season's musical programme at the Châtelet, since it is an early-20th-century French landmark much loved by its devotees, a samurai in the last few decades (not staged in Paris for 16 years), recently re-discovered in Amsterdam, Geneva and Leeds.

But the choice of production team for the revival seemed to guarantee controversy, being headed by Ruth Berghaus, actress, choreographer, widow of the composer Dessen, veteran of the Berliner Ensemble, and exponent since the 1970s of a mode of psycho-surrealist opera production that all over Europe has won her fanatical admirers and detractors in equal proportion. (In Britain we know her work only from the 1984 Welsh National *Don Giovanni*.)

For her an opera's text is a blank canvas: she creates on stage the associations that it summons into her head, not the events invented by the librettist and set by the composer. *Ariane*, whose allegorical narrative Masterlinck placed in the depths of an ancient castle penetrated by the determination of its light-bringing heroine, is here a

Freudian fantasy set (by designers Hans-Dieter Schaal and Marie-Luise Strandt) among the roof-tops — all dream-world white — of a modern city, Paris presumably.

The action takes place on, beside and around chimneys, roof doorways, staircases, gutters, at these points in Act 1 when Ariadne (in huge fringed wig and Nehru suit) and the Nurse (dressed, according to *Le Figaro*, "en mauvais garçon", in tights and bowler) uncover the secrets of the locked doors, apertures fly open and dancers in coloured tights wriggle out. The connection between the opera's leading role and the Ariadne of Greek mythology is forged by a line of trailing cord, at times electrified like the lights on a Christmas tree.

Bluebeard in a natty three-piece arrives stage right on a huge speedboat, the wives ensconced within like chateaux; this is a moment of enormous theatrical frisson. In Act 3, when the women have temporarily freed themselves, we find this symbol of male potency laid on its side — but at the end, as they opt to return to Bluebeard and familiar servitude rather than departing with Ariadne to follow a life of feminist freedom, the wives crawl back into the boat, and Ariadne and the Nurse march off to explore horizons, and rooftops, new.

In short, and leaving undiscussed a thousand fascinating production details, Dukas's and Masterlinck's opera is here mined for its "deep structure", and it is this — the symbolic struggle of male and female — that we see staged at the Châtelet, filtered through the Berghaus subconscious. I found it all wonderfully rich and substantial, magically beautiful to look at, endlessly absorbing: even where I failed to catch the significance of this or that moment, I was swept along by Berghaus's immense powers of stagecraft, and by the feeling I had that this was,

Françoise Pollet and Gabriel Bacquier in the title roles of *Ariane et Barbe-bleue* at the Châtelet

however maddening, a serious enterprise, deeply considered, by no means either "fashionable" or intentionally iconoclastic.

There is, of course, much to be said against it. Berghaus's is a dangerously in-group method of opera-staging. You might almost call it meta-production: you need to have the libretto under your belt in advance, not to mention your well-sharpened tools of Freudian dream-interpretation, otherwise you get left very much on the periphery of the theatrical unfolding. This *Ariane* was not an integration of words and music, not a unification of pit and stage; the ineluctable build-up and achievement of the opera's final act, and by the Séyette of the excellent mezzo Hanna

Schaer, were well contrasted.

The opera's leading role was taken by the new white hope of French opera, Françoise Pollet. She was perhaps ill-advised to tackle this Everest of French dramatic-soprano roles, being soft-skinned in her timbre and sometimes strained at climaxes; but her musical manner and delivery are so ravishingly fresh and responsive that I was glad she had done, and full of admiration for her willingness to appear in so unfamiliar a garb and head-dress. Indeed, she and all the cast gave the impression of full commitment to Berghaus. This is not the way I want to encounter *Ariane* in particular, or opera in general, very often, on its own terms it was unforgettable.

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THOUGH Caroline Mathilde, Sir Peter Maxwell Davies' new work for the Royal Danish Ballet, has yet to reach Britain, two other big, recent pieces are available on a Collins Classics CD (11812). His Trumpet Concerto for the redoubtable John Wallace was commissioned and premiered by the Philharmonia, but here the composer conducts the Scottish National Orchestra; for his Symphony no. 4 he has the Scottish Chamber Orchestra. Confident performances; eminently serious pieces, both of them — some what tantalising and elusive, too.

The Concerto is more overtly dramatic. There is a long, sombre orchestral introduction before the soloist enters with a florid recitative and the tempo increases sharply, after a soft, ambiguous close. In the central Adagio molto the trumpet does St. Francis' sermon to the birds — the musical ideas of the whole Concerto are connected with a chamber opera-in-progress on the Saint — before he is joined in meditation by a solo horn, to striking effect. A concise final Presto allows him a crackling virtuoso display. Throughout, there are frequent pronouncements on timpani, and generous doses of excited string-tremolo.

Nonetheless, by comparison with Maxwell Davies' lovely *Ace of Hearts* and *Image*,

Records
Strings and trumpets

Reflection, Shadow — respectively from 1975 and 1982, and now re-released (on Unicorn-Kanchana UKCD 2088) in the riveting *Fires of London* accounts — the new Trumpet Concerto and still more the Fourth Symphony have surprisingly "traditional" surface manners. Of course the plainchant-based material is constantly rotated and transformed in the individual Davies way, and tonality has little to do with that; but the literal *clashes* is reassuringly old-fashioned — and therefore tantalising, because the real musical argument is strictly modern.

Instead of neo-Expressionism and wilful fantasy, there are square-cut phrases with a lot of even notes (sometimes recalling Messiaen's hieratic formulas), ruminative wind solos, curving duets in parallel lines, thumping little rhythmic cells, and bright, familiar splashes of fanfare. One almost thinks: "Sinfonia Academica". Yet there is enough symphonic muscle in each work to grip the attention. Time will have to tell what amounts to: whether the sacrifices of the fresh, immediate colours and

fidelity of *Ace of Hearts* and *Image*, serves the purposes of a still richer musical construction. Maybe the *Fires of London*, when it's done, will help to illuminate the new, shock-free Davies style.

Volume 3 of the Unicorn-Kanchana survey of Elizabeth Maconchy's 13 string quartets completes the cycle splendidly (DKP 8082). For these last five works the performers are the Mistry Quartet, who maintain the level already set by the Hanson and Bingham ensembles, and enjoy the bonus of the new expressive depth in the late quartets. Nos. 10 and 11 are notably poignant, without the least relaxation of Maconchy's astringent economy.

The whole set is an authentic British contribution to 20th-century music: the modest triumph of a born quartet-composer. Though her scale seems almost miniature (the Maconchy norm is 12 to 15 minutes per quartet), the laconic density, the energy and the rigorously sharp point of every piece brook no argument. It is wonderfully bracing, gutsy stuff to hear, and the new candour of feeling in the latest

quartets establishes the series as a real, maturing cycle — greatly rewarding to follow, all the way from spiky, narrow-gauge early brilliance to generously scripted utterance and dramatic polyphony.

One of Debussy's closest contemporaries, Gabriel Pierné is honoured by the veteran pianist Jean Hubert (on Musitance 2292-45225-2) with the Quatuor Viotti in his mature Quintet op. 41, transparently indebted to Ravel's Trio but seductive and even elevated in its own way. There is also his op. 36 Violin Sonata (with Olivier Charlier), which stands in the same honourable relation to Faure's First Sonata. Less warmly, I commend the same performers' accounts of Vianna's late Quintet and earlier Violin Sonata (Musitance 2292-45224-2) — worthily constructed period-exhibits of honest late Romantic feeling.

With some of the leading French wind-players, the pianist Pascal Rogé has recorded most of Poulenc's piano-and-wind music in faultless style (Decca 421 551-2): the three late solo sonatas, the Trio and the Sextet. They miss nothing except, perhaps, a touch of

cheerful vulgarity here and there (surely the Sextet invites that?), but the whole programme is a civilised pleasure. The same can be said of Rogé's new solo-piano Poulenc collection (Decca 425 862-2), which includes all the Nocturnes, the charming *Adieu c'est* and a great deal more. Together with his previous collection (417 438-2), Rogé offers here virtually all the Poulenc that's worth playing, and he outclasses all competitors.

Any pianist might hesitate before going into competition with the venerable Fikseny readings of Janáček's noble sets and cycles; but Mikhail Rudy brings no less sympathetic insight to them (EMI CDC 7 54094 2). His extra touch of bravura sets the pieces in a slightly different light (Fikseny is always "inward", as if playing for himself alone), but it remains as haunting as ever: music like no one else's.

Finally, two greatly deserving, under-played sonatas, by Balakirev and by Henri Dutilleul, get intelligent performances from the American pianist Donna Amato (Olympia OGD 354). More virtuosic dash would bring out the best of the Balakirev; but both works are worth discovering — and if this recording inspires some competitors with steeled fingers, so much the better.

David Murray



Razzmatazz by Roy Lichtenstein, est. \$800,000-\$1.2m at Christie's sale on May 1

New York Saleroom

A Contemporary gamble

WHO SAYS that the market for Contemporary Art is in deep, deep trouble? Listen to this for Christie's description of what it is selling New York next week: "A pantheon of the greatest Abstract Expressionist and Pop artists represented by museum-quality works, many coming from distinguished private collections. Reflecting a market trend, the traditional evening sale of Contemporary Art now includes a broader range of artists and estimates to accommodate a wider group of collectors." Let's be honest, Christie's has style.

At its big sale of Contemporary Art in New York this time last year, it sold 11 works for more than \$1m and established record prices at auction for ten different artists. Next week if it is lucky, it will manage to get five paintings over the \$1m mark and of those, only two — a Twombly and a Kline — are likely to make more than a couple of million. And what of records? Franz Kline's "West Rebus" is its main hope with an estimate of \$2m-\$3m. If that goes past \$2.85m which is the record for Kline, then it will have one record.

Among this year's "broader range" are many such works including an attractive Mother, well of 1975, "Pas de Deux, no 3", which is estimated at \$70,000-\$90,000; it belongs to John Kluge, who is also selling a Jackson Pollock (estimated \$3-\$500,000) and a Richard Lin-

der (estimate \$1-\$150,000).

With the free-fall in prices for works by Contemporary artists, some names have held up better than others. Franz Kline is one of them; de Kooning, Philip Guston and Cy Twombly are others. Christie's, taking care not to flood the market, has one example by all these painters next week.

One other major painting on offer at Christie's is "Red" — a coloured silk-screen with oil on canvas by Robert Rauschenberg (estimate \$1.5-\$2.5m).

The market's feelings about Rauschenberg are uncertain. Sotheby's had a major painting by him in its sale last November. Although that sale was not a success — 55 per cent of the lots were bought in and works by many big names were left on the block — the Rauschenberg did sell. It brought \$3.08m, but that was a good \$1m less than the present estimate of \$4-\$5m. Nevertheless, Rauschenberg is the main hope at Sotheby's again next week. An important mixed media and collage on canvas, "Rebus", that dates from 1955 is estimated at \$4-\$5m. This was sold at the Victor Ganz sale in November 1988 when it was bought by the Swedish collector, Hans Thulin, for a hefty \$3.85m — a record for Rauschenberg that still remains. It is estimated at a lower \$4-\$5m in next week's sale and it is being sold "By order of the Creditor" of a Scandinavian Private Collector: Mr Thulin one presumes.

This is not the sort of deal the auction houses like. It spells out in easily understood Wall Street terms exactly what has happened to the market: Rauschenberg gone up or down? Whether the Rauschenberg in question is good, bad or indifferent is neither here nor there; it was never acquired for that reason.

After Rauschenberg, the next most important paintings at Sotheby's — at least the most expensive — are two works by Twombly. These come from the Saatchi Collection and their sale is part of a discreet dispersal process of works from that collection which has caused ripples in the market over the past year. Saatchi is also selling a Philip Guston of 1976 (estimated \$700,000-\$750,000) as well as pictures by other artists.

These are all "hot" names and many people have a vested interest in seeing that prices for their work hold up. They, as such as "the wider group of collectors" whom Christie's is expecting are the ones who may be bidding next week and for very good reason. If we see new records — or even high prices — for new names, expect to see more of those artists in auctions next Fall. Don't ask who is selling and never ask who is buying but beware: today's market for Contemporary Art is for specialists — and not necessarily art specialists.

Homan Potterton

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ARTS

The riddle of the turnip

This collector never lost his curiosity, says Patricia Morison

IN 1922 Samuel Courtauld fell in love with a Cézanne landscape - the rest, as they say, is history. At about the same time, an impetuous Foreign Office employee called David Scott bought Sophie Anderson's "No Walk Today". It shows a little girl in an ostrich-feather hat. She gazes wistfully out from the parlour window at a "monkeys' wedding" afternoon of sunshine and raindrops. Clearly, she cannot understand why in the world they have decreed it is too wet for a walk.

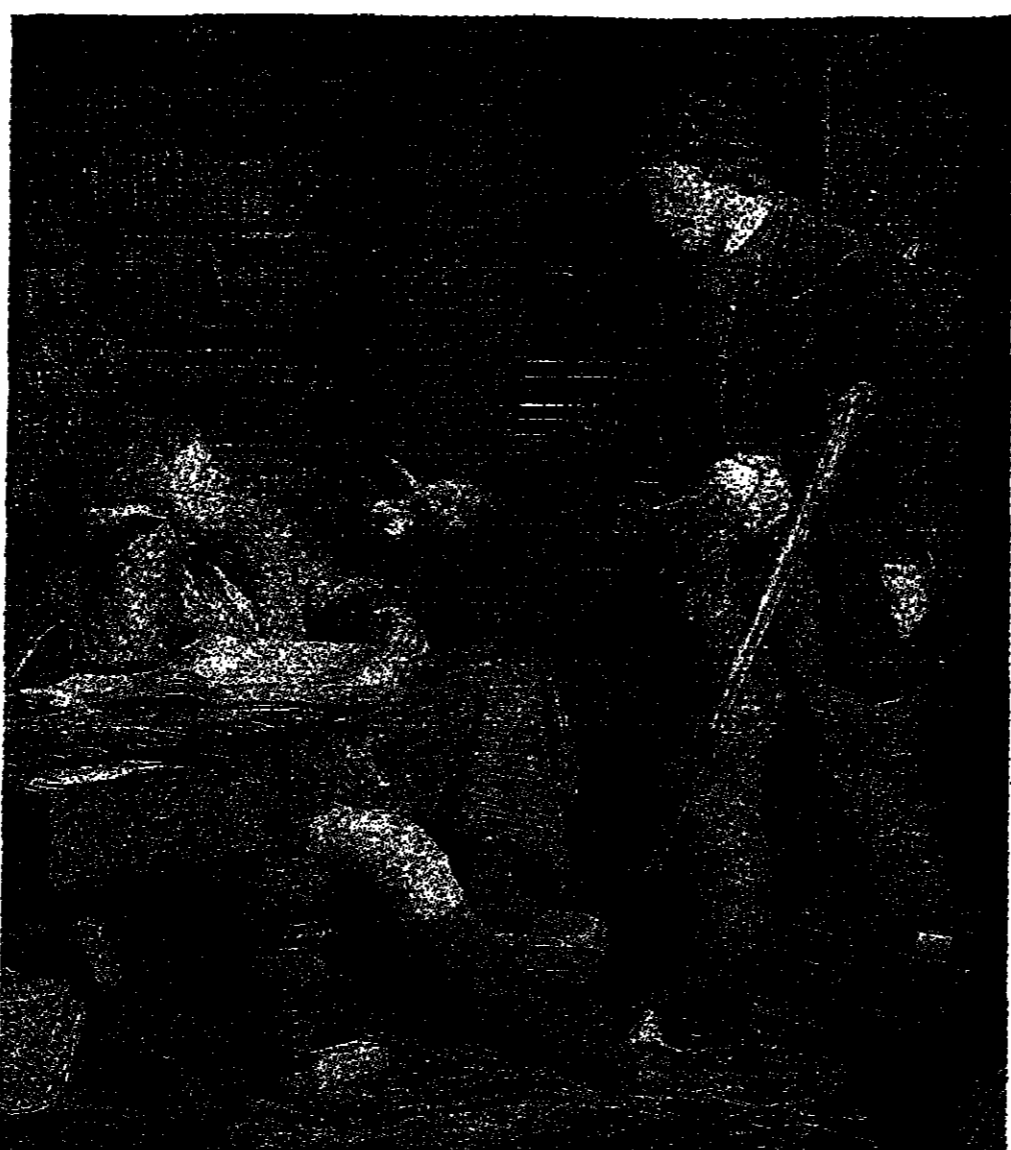
In the 1920s, there could not have been a type of painting more unfashionable with collectors. However, David Scott (1897-1987) was, quite literally, a born Victorian. Throughout his long life, he stayed true to the kind of paintings admired in his childhood. *Sunshine and Shadow*, now on view at the National Gallery of Scotland in Edinburgh (until June 2), is the first chance for the public to enjoy a uniquely personal collection of mid-Victorian genre paintings. It surely cannot be our last chance, if this enthralling exhibition does not reach London - at the very least - then it will be a crying shame.

Apart from landscapes by Samuel Boyce and William Dyce, most of the 30 paintings explore the quintessential aim of the mid-Victorian artist: to tell a story. Like a typical early-19th century novel, *Sunshine and Shadow* has a moral; narrative paintings do not yield their secrets to the casual glance. In fact, I watched Edinburgh visitors hover and debate in front of paintings like Thomas Faed's "The Soldier's Return" or Thomas Roberts' "The Discovery", it was clear quite how naturally people respond to these one-sided paintings. Read through the comments book at

the end of the show, and the appreciative remarks far outweigh protests about "kitsch" and "sentimental twaddle". Of course, a title like "The Discovery" is, quite frankly, a come-on. Moreover, like all the best genre painters, Roberts knew how to attract the viewer by strong contrasts of light and shadow, and accents of brilliant colour. (These paintings are fresh in the collection by the Hamilton Kerr Institute in Cambridge, so you see them at their brightest.) If, on the way to the gallery, you stop among the Dutch 17th-century paintings and look at the paintings by Jan Steen and Pieter de Voch, the education of the 19th-century genre painter becomes abundantly clear.

So what is the discovery in Roberts' painting? A flood of sunlight pours into a bedroom, lighting up the central figure of a girl in bed. She must be ill, or the light would have woken her, and her hair looks as if it might be damp from a feverish sleep. A young woman in outdoor dress is bending to look at the locket around the sleeper's neck. Whose picture does the locket contain? Her lover's, some have thought. But why, then, does the discoverer look so composed? Furthermore, the painting has a happy feel, with the butterfly landing on the pot of rosebuds on the windowsill. Once the invalid is nursed back to health, should we not imagine the last page of the novel will see her at the altar?

Scott evidently loved to puzzle over his collection. You should not miss his humorous quizzical comments. Rather oddly, they are not included in the catalogue, but can be found on a table. (He favoured the view that the painting showed a mistress who had discovered the guilty love of her servant-girl.)



The most mysterious of David Scott's pictures: James Lobbey's *The Squire and the Gamekeeper*

Maybe there is a deliberate ambiguity in a painting like this. "Letting the public make up its own mind" has these days become the fashionable rhetoric for exhibition organisers. Usually, this turns out to be populist pandering, and the art-historians know exactly what they are trying to prove. *Sunshine and Shadow* is rather different; there are genuine puzzles, and any visitor's guess may be as good as the next.

We have printed here the most genuinely mysterious of Scott's pictures. He believed he had identified it as James Lobbey's "The Squire and the Gamekeeper" - one of the tomes has "Theory" in the title.

Someone, surely, will be able to decipher the meaning of the master, the man, and the turnip, even if it defeated David Scott. If so, he would love to have known. These days, there is no shortage of grand exhibitions, with catalogues which eulogise the wealthy collectors of 20th-century art. Here is a very different and moving exhibition, about a collector who never lost his curiosity, nor his desire to share, with others.

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Theatre

A Method of satire

BLACK SNOW, which opened at the National's Cottesloe Theatre on Thursday, is the funniest and cleverest new play I have seen for a very long time. If anyone says that you need to know something about Mikhail Bulgakov's theatrical novel of the same name, forget it. Keith Dewhurst's dramatisation stands in its own right. Anyone who likes the whole idea of acting and directing should love *Black Snow*. For a start, William Gaskill's production is full of wonderful performance, at least three of which are exceptional.

Bulgakov (1891-1940) was a successful Russian writer, though he ran into problems with Stalin. He wrote his slightly bitter, but overall comic, novel about his experience of the Moscow Arts Theatre. In particular, the director, Konstantin Sergeevich Stanislavsky. The novel was not published in the Soviet Union, or indeed anywhere else, until 1965.

Stanislavsky was the arch proponent of the method school of acting. That is all you need to know. *Black Snow* is a

satire about the theatre in general - or any institution that has become too grand to laugh at its own follies.

The Stanislavsky figure is Ivan Vassilevich, played by Robin Bailey. He is very old, very dignified; feared rather than loved. When he enters the theatre for a rehearsal, the cast stand up and applaud. He distorts texts to make them fit his own idea of the character. Sometimes he has characters written out altogether because of his own prejudices. It also emerges that his theatre can no longer stage modern plays because modern plays are written about young people and the founding members of the company have grown too old to play them.

Bailey's performance is utterly commanding. We see him conducting rehearsals and occasionally playing a role to demonstrate a point. There is an unforgettable scene where he sends for a bicycle so that a character can ride it round a round stage in a way that shows he is passionately in love. This is real method and Bailey is both master and tyrant.

Other outstanding contributions come from Ron Cook as Maksudov (alias Elizabeth Bradley as Stanislavsky's secretary. Cook plays the part of the baffled outsider, whose drama is not performed in the way he wishes, to perfection. There is a touch - presumably deliberate - of Joseph K in Kafka's *The Trial* as he is overwhelmed by other people. He usually has to silence his own intelligence, though sometimes he hits out. "You can't act. If you could act, you wouldn't need a method," he says of one of the females.

Ms Bradley has one gem of a scene: Although hysterical a few moments earlier, she takes down the text of the play immaculately on her typewriter while simultaneously dealing with the telephone and the stars.

Other parts are played uniformly well. There is some marvelous comedy, too, when a mad actress chases a mad cat and the cat runs up the curtains. All theatrical bitchiness is there.

Malcolm Rutherford

Great clash of egos

IMAGINE THIS: Napoleon holed up in an Italian taverna with Ellen Terry. Shaw did, and the fantasy supplied the third of his plays, *The Man of Destiny*. Now imagine Napoleon holed up in an Italian taverna with Kate O'Mara, and you have the measure of the Merriman Theatre Company's revival, which brings this new actors' ensemble Battersea's Latchmere Theatre for the second time.

It would seem churlish, given the provenance of what Shaw himself dubbed a "perfectly idiotic play", to mean that it was being used as a vehicle. O'Mara makes a glamorous Strange Lady and shows a shapely pair of legs in male disguise, but does she have to grasp her bosoms every time pain or fear are mentioned? Looking down the cast list, the penny drops that there is no director to advise on the nuances of flirtation. Hence the absence of nuances.

One can appreciate the appeal to actors of collective direction, but for the audience the result is too often a cacophony of egos. Shaw holds his own better than most - indeed, after ploughing his pompous and detailed introductory exposition on the political merits of Napoleon, one is left in little doubt about whose ego is the biggest. The comedy itself is a little something he rushed off in 1896 on the subject of courage, class and colonialism, with a nice part thrown in for his



Richard Willis and Kate O'Mara as Napoleon and Ellen Terry in Shaw's *The Man of Destiny* at the Latchmere Theatre

young Corsican general, zealously played by Richard Willis, becomes a mouthpiece for an Irish radical's view of the English.

Nicholas Blane's blubbery, Italianate inn-keeper, Robert Richmond's lip-smacking military twit are clichés held on fitfully amusing monotone. Not much subtlety is asked for, and no subtlety is offered.

Claire Armitstead

Sting harks back

STING'S RESIDENCY at Battersea Arts Centre this week is the latest stop on a tour across two continents to promote his new album, *The Soul Cages* (A & M 396 405-2). That in itself is a bit of a surprise, for so much of his travelling recently has been concerned with much more universal issues. Sting deep in the Amazon basin, befriending the Amerindians, has been a publicity stunt, but the images from the Amnesty tour, of Sting singing "They dance alone" in the Santiago football stadium with the mothers of the disappeared, were much harder to dismiss as self-promotion.

Yet as the album suggests and the concert on Thursday confirmed, his concerns are currently much closer to home - not a mention of human rights or saving the rainforests, and instead a distinct emphasis upon the brand-new songs which evoke his teenage childhood, right alongside material dating back to his Police beginnings.

No Sting appearance would be complete, I suppose, without "Roxanne" and "Message in a Bottle", but even so it was curious to find a singer who has developed and so intricately expanded his song writing harking back with such insistence - he also included "King of Pain", and the wonderfully obsessive "Every Breath You Take" from the early 1980s - while making only token selections from each of his first two solo albums, one of those, "Fragile", as a beautifully poised encore. And just what were we to make of his moderately wild version of "Purple Haze", complete with convincing ersatz Hendrix guitar from Dominic Miller, or of Bill Withers'

"Ain't no Sunshine"? The roots he's after at the moment seem to be as much musical as nostalgic.

It matters only because Sting is one of the most prodigiously talented of current rock musicians, a vocalist of significant range and technical skill and a songwriter of increasing sophistication, whose previous albums worked at the edges of jazz and rock and several kinds of fusion. The band for the current tour still includes the jazz saxophonist Branford Marsalis, but his limpid playing is now buried much more deeply in the arrangements. There is none of the duetting of voice and sax that carried so much charge in the last two albums and instead the keyboards of David Sancious (of Springsteen's E-Street Band) are more prominent, and the looser moments now hard-edged rather than poetic.

The tracks from *The Soul Cages* are all concerned with going back, with recovering childhood memories, especially of the sea, and repaying familial debts. They're more intricately structured than before, less instantly accessible, though the modulations are as telling as ever, the melodic lines insidiously memorable. Yet Sting appears to be torn between the need to indulge the adulation of his fans and the compulsion to explore the limits of his own music; somebody who can write songs as fine as "Mad about You" and "The Wild Wild West" in the new collection really does not need to manipulate an audience like to make of his simply to convince himself that they still love him so much.

Andrew Clements

TOM STOPPARD'S *In the Native State* (Radio 3, Sunday) is about the relations between the British and the Indians. In 1930, his heroine, Flora Crewe (Felicity Kendal), an English radical poet, is lecturing in India (she was told to go "somewhere warm" to improve her lungs). Sixty years later are published the letters she wrote to Neil Swan, her younger sister, in London, and Neil (Peggy Ashcroft) entertains the son of the Indian painter Nand Das (Sam Dastor) whose portrait of Flora adorns the wrapper of her book. But Das had done another painting of Flora, a nude. He kept quiet about this, and it was not seen until his son gave it to Neil Swan.

On this simple framework, Stoppard has hung an engaging variety of indicators. Flora is easily beguiled. David, the Resident's Junior Political Agent, guides her in social and political affairs, for example, his Indian ICS colleague, liked and admired, may not come into the Club. The women, David thinks, won't "muck in" with the Indians. The Resident's literary talk is "How is Alfred Housman?", though Flora has tales about Wells and Squire. The friendly Rajah believes independence will be bad for the native states, like his own Junnagar. There is informed talk about Indian erotic art, about Rajput writing, the rift between the Hindus and the Moslems, the Salt Tax, the banned Theosophical Society.

There is talk too about Flora's life, her sittings for Modigliani, her affairs, but the source for this is in the Scot's friendly Rajah believes independence will be bad for the native states, like his own Junnagar. There is informed talk about Indian erotic art, about Rajput writing, the rift between the Hindus and the Moslems, the Salt Tax, the banned Theosophical Society.

Radio Stoppard turns to India

cured her chest.) We hear from Emily Eden's *Up the Country*, casually worked in, her account of the Victorian ball of 1839, her reflection that "I sometimes wonder why they do not cut all our heads off." There's no real theme in the play beyond this correlation of English and Indian convictions with their behaviour, but it is done with a skill that transmutates the politics into romance. I shall read it when my local bookshops put their fingers out, and hear John Tydemans' able production when it's repeated on June 4.

Two programmes on Radio 4, presented by Andrea Adams on consecutive Thursdays, deal with the problem of *Bullying at Work*. This may sound trivial, but they say that 1.3bn hours' work per annum are lost through "occupational stress". This week's programme, *An Abuse of Power*, was presented mostly through five victims. Jane, who complained to the Royal College of Nursing because she was rebuffed for "bleach-blond" hair, should swap experiences with a Guardsman. Teacher Jill lamented because she was deprived, first of her desk, then of her favourite class; teacher Keith hated the "sudden flare-ups" of his head. Francis, a parish worker, resented his vicar's prayers in square white envelopes (though we were not told what those letters said).

Perhaps I am lucky, I have

usually got on with my superiors. If I say that these five seem a second-class lot, it may be because I can't visualise their suffering. To me, they sound like people who want life to run on their own chosen lines and resent the imposition of any other. To some degree my feelings are reproduced in next Thursday's programme, *Whose Fault is it Anyway?* Here are the expert voices of psychotherapists and personnel managers (though a reformed bully gets a turn, and I don't like him much). One psycho view is that victims of bullying may have themselves to blame - they enjoy being victims, just my conclusion from the first programme. The BBC has an organised anti-harass scheme, we were told. I wonder how Jill, Ann, Francis, Jane and Keith got on under director Cathy Drysdale?

Make a note of *Colours*, "an everyday story of Pottersville folk", Wednesdays on BBC Radio Stoke, repeated Sundays. Presented with Stoke-on-Trent City Council and North Staffordshire Health Authority, it is almost exactly like *The Archers*. Bound to win.

B.A. Young

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A FEW years ago, when I used to cover Opec conferences for the *Financial Times*, a bizarre event took place at one of the Geneva price-fixing meetings of the cartel. We, the journalists, said we would not attend the opening press conference, a threat which threw into confusion the bureaucrats who ran the show. They were aware that the absence of notebooks and cameras at the event would make them very unpopular with their political masters, whose vanity was legion.

This dire threat was issued because one of our number, Youssef Ibrahim, of the *Wall Street Journal*, had been refused accreditation to that Opec conference. Ibrahim had written a front-page piece, which among other things detailed with

scrupulous accuracy the rates charged, not just by the oil producers, but also by the international hookers who, in many cases employed by some of the less well-known oil trading companies, flew in to offer their personal services to the delegations from the Arab world and elsewhere. Before you become horrified, I should point out that these were the days of the \$30 barrel of oil, and one high-fixed price provokes another. Anyway, the sheikhs and emirs were not amused by these revelations and were particularly furious that a fellow Arab should have let

the home side down by revealing the seamy side of Opec. So Youssef was kicked out. And after some debate, we, his colleagues, said - between teeth grinding with jealousy at Youssef's excellent cover story - "none of us will attend your oil price fixing opening ceremony." After some arguments in camera the Arabs let their brother back into the fold, and we duly followed.

Later that day, I remember being hailed by an executive of a very well-known oil company, a man who once had the distinction and courage to deliver a suitcase full of

banknotes to the kidnappers of one of his colleagues and who was, therefore, greatly admired by all the journalists. This man was much amused by the episode. "Dominic," he said, "you journalists are such strange people. Here you are, doing a lousy job for not much money, one of your deadly rivals is black-balled, and, instead of rejoicing at his misfortune and exploiting it, you stand by him."

"I can assure you," he said, "that if my company was booted out of an oil province, our rivals would not hesitate to make the most of our misfortune, however unfairly

we might have been treated." (This, of course, explains why Opec beat the western oil companies, but that is another story.)

I was startled by his remarks, simply because I had never heard anyone praise journalists before, nor have I ever since.

This episode came to my mind yesterday morning, when reading in the *FT* of the deaths of two *FT* journalists, Alan Harper, a staff photographer, and David Thomas, a natural resources editor, whose car was engulfed by flames on a road in the oilfields of southern Kuwait on Wednesday.

In opinion polls, journalists regularly come bottom of the list of most-admired people. But I am old-fashioned enough to regard the profession as an admirable one, and those who exemplify its highest quality - the disinterested seeking out of the truth - I regard with as much respect as I do the most honoured and begoggled public servant. David Thomas, whom I knew slightly, was of that category of writer. What the journalists at the Opec conference a few years ago were saying is that they would put their own career interests and expediency behind a greater ideal,

which was that the truth, however unappealing it, or its purveyor, is, should not be censored.

David Thomas's last piece, a feature on the nuclear industry five years after the Chernobyl disaster, makes the point. We would all have been better off if, five years ago, journalists had been able to tell the truth about that incident, rather than be dictated to by scarcely interested nuclear scientists over here and Soviet politicians over there.

I am sorry if this sounds merely sentimental, but David Thomas was an honourable exponent of an honourable profession, and his death should be as much a matter of public grieving as that of any British soldier doing his duty in the Gulf.

Dominic Lawson is editor of *The Spectator*.

For nothing but the truth...

Dominic Lawson on the oldest profession - and an honourable calling

SOMETHING in the intensity, the high seriousness, of Richard Dawkins's gaze proclaims that in an earlier age he would have been a priest, or perhaps a philosopher. The impression is strengthened by the delicacy with which each word steps through the minefield of incorrect ideas.

Instead, he became a biologist at Oxford University, a champion of Darwinian natural selection and later something of a hate figure among factions of the Left. His two best-known books, *The Selfish Gene* and *The Blind Watchmaker*, achieved huge popular success in explaining how Darwin's original ideas have been refined by later research and how the modern theory can explain apparent paradoxes such as self sacrifice and altruism in many species, the "uselessness" of the peacock's tail or the amazing complexities of bats' "radar".

Such marvels of nature, which captured Darwin's imagination and attracted generations of later biologists to the science, were for Dawkins, however, beside the main point. "It was not an interest in bird watching or bug hunting, I am, in a way, sorry to say. It was a philosophical interest. I have always been intrigued by questions of existence, why we are here, what we are for, what is the ultimate purpose of everything?"

"I suppose I was a deeply religious person in the sense of being interested in religious questions, but I became deeply anti-religious in the sense of the sort of answer one gave to those questions."

Dawkins was at the Royal Institution in London to discuss next year's Christmas Lectures for Young People, which he has agreed to deliver. He leaned forward - as if to be sure that he was understood - across the old desk that used to belong to Michael Faraday. The leather couch, the big brass microscope and the soft gloom of the great 19th century physicist's study all contributed to his passionate sincerity of purpose.

So wherein lies the magic, the secret of life, which so compelled him and whose contemplation led Dawkins to conclude that God does not exist?

"The wonder that struck me and still strikes me is the wonder of complexity, the improbability of it all, the fact that it is there at all. The essential feature of life from my point of view is that it is statistically improbable, and that is by definition difficult to explain. If anyone said to you that the atoms of a watch or a telephone have come into the way they are by chance, you would laugh and say 'don't be so stupid'."

"So we are seeking an explanation of how you can get from something that is easy to explain - by definition something simple - to something that is difficult to explain - something complicated."

"That is precisely what Darwinian theory does. It starts off with simplicity and shows how you can move from the simple (the easy to explain) to the complex (the difficult to explain) by gradual degrees and stages, without demanding a leap of belief. Every step could come about by reasonable transformations, never violating the laws of physics."

"For anything complicated to spring into being spontaneously, this principle would have to be violated."

"Now, the thing about a creator God is that he violates that principle. If you are going to say that in the beginning there was a creator who thought up the laws of physics and set everything in motion and created us, then he has to be the complex improbable being of exactly the same type as you are trying to explain, so you are defeating the whole exercise."



Tony Andrews

An evolving certainty that God cannot exist

Max Wilkinson meets Richard Dawkins, the controversial biologist

In *The Blind Watchmaker*, Dawkins says that if he had lived before 1859, when Darwin published *The Origin of the Species*, he would have believed in The Creator, as the best theory going. Does it follow that after 1859 any biologist is a fool to believe in God?

"I don't say that because some of my best friends are Christians. But let me think... most of my colleagues would say there may be a God, but we can't possibly know, that this is a separate question on which science has nothing to say; that religion has its own world of discourse; that the two don't meet and have nothing to say to each other."

"I don't feel that. I think agnosticism is, as nearly as one can say, refutable. But are there no counter arguments which he respects?"

"None that I think is good. People say, for example, God isn't complex, he is exceedingly simple. In which case I would say God is not doing the job he is supposed to do. More especially, if God is just one of the relationships of physics, he has absolutely nothing to do with forgiveness of sins or virgin birth. All the intricate complexity of theology, you're then admitting, is so much eye-wash, because you are reducing God to something as simple as a physical constant."

But perhaps Dawkins's high certainty results from his being expert in a branch of science whose central mystery has been solved. In physics, where recent discoveries appear repugnant to common sense, some scientists - Roger Penrose in *The*

Emperor's New Mind, for example - seem imbued with a more primitive sense of wonder.

"Quantum theory [which describes the behaviour of elementary particles] is profoundly awe-inspiring because it is against common sense. The human brain doesn't seem to be able to get to grips with the idea of a particle being in two places at once."

"But a deity is a remarkably simple concept, a very naive childish concept. In physics there is a profound mystery which we still do not understand, unlike the case of biology, which we do understand. But what on earth makes you think that that mystery is going to be removed by a deity? If it is ever removed, it is going to be removed by something a lot more sophisticated."

Does he feel that the rigour of his views has made him a hate figure in certain quarters? "Well, seen as an extremist, perhaps?"

"Let's stick with the phrase 'hate figure'. You raised it in the context of religion; I think I am not at all a hate figure in religious circles."

"However, among a minority of intellectuals on the Left, I have become associated with hate ideas - genetic determinism and reductionism - which to them are sinister because they carry all sorts of political baggage. Leading in extreme cases to talk of Hitler, gas chambers and emotive stuff like that."

In *The Selfish Gene*, Dawkins

argued that all living things are "survival machines" built to designs passed through generations by self-replicating genes. Natural selection represents a no-holds-barred competition for survival between genes. The characteristics of plants and animals (but not human culture) are the result of this "selfish" struggle between genes: only the fittest survive.

"Some organs of the extreme fascist Right, some racists, have mistakenly quoted my ideas. It all stems from a popular myth that if something - for example, aggression or homosexuality - is genetically controlled who believed it and can't escape from it. No amount of education or social workers will help; people are going to want and need to fight in just the same way that they want and need to eat. That is a false myth, but you can see that if you were a fascist or a left wing intellectual who believed it you would seize upon what I write for different reasons."

But don't people also dislike the Dawkins message because it is bleak, uncompromising and destroys illusions?

"First, if the news is bad let's hear it. A lot of people don't understand that. There are some unpleasant truths we need to know. Second, the news is not that bleak: the selfish gene programs individuals to be altruistic in order to favour the selfish interest of the gene itself. Third, human behaviour does not have to be governed by genetic determinism. We can do all sorts of things like give money to Oxfam

which have nothing to do with selfish genes, but a lot to do with culture. This is a completely different process which in the looser sense is evolutionary. That gets us right away from the message of the selfish gene as far as humans are concerned."

Yet, don't some find the tough-minded Dawkins style of delivering this message rather off putting - for example the way Hugh Montefiore, former Bishop of Birmingham, was ridiculed for not understanding why polar bears are white? Wasn't Darwin more gentle? "I am gentle with individuals, but I am not the kind of liberal who thinks if there are two points of view, the truth must lie somewhere between them. We should not mince words nor give the time of day to a point of view that is clearly wrong... But I could be persuaded that tactically this is not the best way to do things."

Still, wasn't it arrogant to come down so heavily on the university debater who argued the case for creation without believing it?

"I felt aggrieved at being brought along to advocate a case which I passionately believed in, only to discover other people were there exercising their advocacy muscle."

But why such passion? Surely, it is only the arguments that count. "Passion is too strong a word... I suppose I do care about the really fundamental truths about the universe; we spent centuries fighting our way out of ignorance and superstition. I suppose I am passionate about that."

IT PROBABLY won't surprise you that on Thursday I was called back to see the sports minister, following my bumptious prediction nine days ago that London, rather than Manchester, was bound to win the go-ahead to mount Britain's bid to stage the Olympic Games in the year 2000.

"Bit of a wrong steer, wasn't it?" said the sports minister, gruffly, blowing his whistle and firing his starter's gun. "Just a teensy bit added, your notion that London was home and dry and that Manchester - 'provincial', you called it - was too dire a place to win the nod in this week's vote by the British Olympic Association?"

I still haven't caught the man's name. But I am confident that he is the sports minister, given that on Thursday he was wearing another range of vestments and accessories, among them a boxer's head-guard, a hockey club blazer, tennis shorts, running shoes and an archer's quiver (containing, I claimed to notice, two wickedly barbed arrows).

As before, the minister was attended by his political secretary, a fresh-faced youth who looks like, but is not, a founding member of the Bruges group.

"If you are going to be our Olympic consultant and receive from us £300 daily in return for guiding us through the minefield of the full-scale bidding process in September 1993," said the minister, "then we want our money's worth - not some yuppified drawily-paw about the shocking commercialism of the modern-day Olympics; or how the Games of 2000 will be an opportunity for the planet to revert to paganism; or telling us the number of Games you have personally attended; or regaling us with reasons why London was favourite to win the UK vote just because you in all your splendour, had never visited Manchester because you've been too busy island-hopping in the eastern Caribbean and hadn't actually realised that in this day and age Manchester is served by motorways - yes, actually has motorways, plus a prize-winning airport - and that the pesky Duke of Westminster was in fact a racing certainty to win the bid for Manchester and thus blow your predictions clear out of the water. Anyway, I saw you described this week as the *FT*'s racing correspondent. Is that what you really do?"

"Minister," I replied. "You mustn't be so easily offended. I am in *Private Eye*. I make things up, you know. Plucks them from the air. Puts words in people's mouths. My tasks at the *FT* are in truth wide-ranging. Because I am cheerful and energetic I write on many topics. Racing is one of them, albeit a minor one. Ditto the Olympics. You name it, I write it - cheerfully, with vigour, and with fashionable intellectualism. In sentences short or long, depending on requirements. As for my prediction that London, not Manchester, would win this week's vote - well, we all have our off-days."

"Anyway," I added, "for £300 a day you are buying my advice. Rud-

ery is more expensive. I can be insulted, but the cost is prohibitive. Ask those who've tried."

"All right," said the minister, reloading his starter's gun and signalling to his political secretary - "Hurry up, Julian! please stop dithering - to pour more coffee."

"No doubt, your remarks last week about the government apply just as forcibly to Manchester as to London," said the sports minister. "The government has got to get its finger out. No more wobbling. Billions more on infrastructure. Support Manchester to the hilt and make the Games of 2000 an opportunity for national resurrection."

So... who have we got to watch? Who is going to want the Olympics even more desperately than Manchester?

I said: "We can forget Peking. Can you imagine what it would be like if the marathon runners lined up and the communists simply shot them? Or if the Chinese called out the tanks the moment some running-dog weightlifter was caught taking drugs? Those boys need their medicines. What weightlifters do is so intrinsically silly that they have to be high."

"We can also forget Milan. Ditto Brasilia. Also Belgrade. Which leaves Sydney and Berlin."

"Wonderful cities, formidable rivals, money no object. They're the ones to beat. But Manchester is wily. Also determined. It will more than punch its weight. Study their tactics. Study their tactics. Study their tactics."

documentation and money's worth - not stated that 'Manchester is the city where Mr Rolfe and Mr Royce met and decided to build cars; the atom was first split; the first commercial computer was developed; flash photography was first used; the first British plane flew.' Did you know those things?"

"No," said the sports minister. "Like you, I've never been to Manchester. We're at the start of our learning curve. Julian, ring ticket - sleepers, if necessary, it's probably quite far, God knows how we get there. Ring the Duke of Westminster. Tell him we'll join him for tea. Then we'll fly to Berlin - and then the pesky Duke of Westminster was in fact a racing certainty to win the bid for Manchester and thus blow your predictions clear out of the water. Anyway, I saw you described this week as the *FT*'s racing correspondent. Is that what you really do?"

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SOME TIME ago I wrote a grumpy column about my non-winning premium bonds, saying that I believed that the authorities thought me dead and had removed my numbers from the ones they feed each month to their computer. How wrong I was. This week I received a gaily-hued cheque from National Savings to the tune of £50, in respect of bond number 1GF 519834.

I had been a security note from the chief of National Savings to the effect that their computer was back to normal after some mid-life crisis and that I could anticipate a steady stream of cheques - but you can not ask for everything. In the meantime, to be hundreds of readers who wrote to me with pathetic tales about non-winning premium bonds, I can only say - Tough.



William Shakespeare: the portrait is attributed to the artist John Taylor

With Shakespeare, the play's the thing

BEFORE THE Prince of Wales so loudly interrupted, I was contemplating writing an article about why we have so much Shakespeare rather than so little. It is true that Prince Charles was speaking this week about Shakespeare in the schools, not Shakespeare in the theatre, but even there he may be on dubious ground.

The Prince recalls that he was made to study *Julius Caesar* at O-level at Gordonstoun, and that the experience left him largely unmoved. Like another Prince of Wales - Prince Hal in *King Henry IV* - he was in good, if diverse, company.

Tony Benn, who went to a rather more academic school, notes in his diaries how he first saw *Hamlet*. "Sunday 25 May 1980: Later I switched on the television and *Hamlet* was on. I have never seen it before - what an odd thing to admit at the age of 55! But like many people I was forced to read it at school and that put me off for a long time." Benn's comment is to the point: "A remarkable play," he wrote.

The late Sir Anthony Quayle had

an even more dispiriting experience at Rugby. He records in his autobiography how a visit to the school by a touring company performing *Richard II* almost put him off the theatre for life. Perhaps like Prince Charles and Mr Benn, Quayle was a late developer.

It may be said that none of them went to the sort of schools that the Prince was talking about. But if you do not respond to Shakespeare when you are taught at Gordonstoun, Westminster or Rugby, how do you expect the poor people at the comprehensives to fare? Why Tony Benn failed to appreciate *Hamlet* at an early age may be worth a psychological study in its own right.

The evidence suggests that there is a good deal of Shakespeare around. If anyone doubts it, go to the Lyric Hammersmith next week where the English Shakespeare company is putting on excerpts from the history plays specially for schools. The ESC exists as a touring company, taking Shakespeare all round the country - and sometimes further.

Then look at the amount of the Bard being played in full. In the last

few weeks more than half the plays that I have reviewed have been Shakespeare. In a single week the ESC brought *Coriolanus* and *The Winter's Tale* to London while the RSC was reviving *Much Ado About Nothing* at the Barbican. A spectacular modern dress production of *Timon of Athens* has probably saved the financial skin of the Young Vic.

Not have the productions been confined to big names and big companies. There was another highly enjoyable, modern dress production of *The Winter's Tale* playing a few miles away at a pub in Richmond. Two separate productions of *Antony and Cleopatra* opened almost simultaneously in London and Birmingham this month; a third, all-black production is opening in London shortly. There has just been a new *Hamlet* in Bristol, let alone the RSC's new season at Stratford.

One could go on: suffice it say that even when the playwright's name is not there, the influence is pervasive. I want to see a West African play the other day, billed as third world feminist. It was impossible to stop being reminded of *Macbeth*.

So my original thought was not to

complain that there is too much Shakespeare - there can never be that - but to wonder what has happened to everything else. The truth is that there are very few good modern plays being written. Even the latest hit at the National, *Black Snow*, is based on a Russian novel written around 1936. The alternative is to go for foreign plays, but the trouble is that they still tend to turn an English audience away. Shakespeare fills the gap.

Why is he so popular? Partly he is so full of infinite variety; partly because he has given so much to the English language. There is the story of the old lady who - like Mr Benn - saw *Hamlet* for the first time and remarked that it was a good play, but too full of quotations. It was not always so. Only well into the 18th century did Shakespeare come to be regarded as indisputably greater than his contemporaries. He was not a scholar and classicist like Ben Jonson. Shakespeare went to Stratford grammar school and probably could not remember whether he had any O-levels.

With Shakespeare there is always room for re-interpretation. The new

production of *Twelfth Night* that opened in Stratford this week was generally praised by the *Financial Times* and attacked by other newspapers. Even those who disliked it disagreed about Sir Andrew Aguecheek: one critic said he was the single redeeming feature; another thought he was the worst Sir Andrew he had ever seen. Michael Bogdanov, who directs for the ESC, produced a wonderful *Winter's Tale* and an execrable *Coriolanus*, set in Eastern Europe almost side by side.

But that is what Shakespeare is about. He allows people to read into his texts what they will. Nigel Lawson is convinced that he was a Tory, drawing on evidence from *Troilus and Cressida*. Bogdanov clearly sees him as a left wing revolutionary. Prince Charles as a constitutional monarchist.

Of his essential Englishness there can be no doubt. Take the gravedigger's line to *Hamlet*. The Prince has been sent to England because he was mad: "He shall recover his wits there; or, if he do not, 'tis no great matter there... there the men are as mad as he."

Malcolm Rutherford

25/4/91